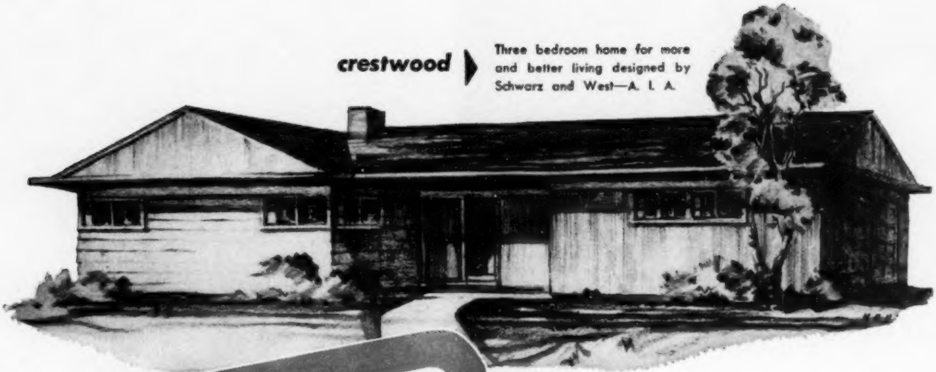
NATIONAL REAL ESTATE and BUILDING JOURNAL

MORTGAGE MONEY . . . MORE OR LESS — See Page 16

JULY ★ 1951

crestwood Three bedroom home for more and better living designed by Schwarz and West—A. I. A.



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Here's Mr. Lemon calling on the Hatfields of 2421 McLean, Wichita, Kansas.

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*Kitchen-Laundry equipment includes G-E Spacemaker Refrigerator, G-E Leader Range, G-E Sink with Automatic Dishwasher and Disposall,® G-E Automatic Washer, G-E Dryer, and G-E all-steel Base and Wall Cabinets. Home Bureau, General Electric Co., Bridgeport 2, Conn.

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Floyd S. Padgett of Colorado Springs, Colorado, started in the real estate business in 1923. Very active in real estate and civic circles, he has served as president of the local Board of Realtors, Insurance Board, Chamber of Commerce, Kiwanis Club, Colorado Association of Real Estate Boards, Colorado Association of Insurance Agents, Institute of Real Estate Management State of Colorado. He also was awarded the Achievement Realtor Cup for 1950 by the Colorado Springs Board. Mr. Padgett is active in real estate management, home building, general brokerage, and general insurance.

"We will never stop our sponsorship of Perfect Home Magazine as long as we remain in business,"

Says Floyd S. Padgett, Colorado Realtor-Builder

WE SPONSORED Perfect Home Magazine in our community for several years before the war," says Floyd S. Padgett of Padgett Realty Company, Colorado Springs. "For some reason we stopped during the war years and then resumed again three years ago. During that period of interruption we were called by many people who had been on our mailing list wanting to know why they were not receiving our magazine.

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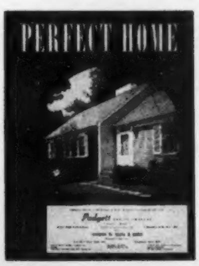

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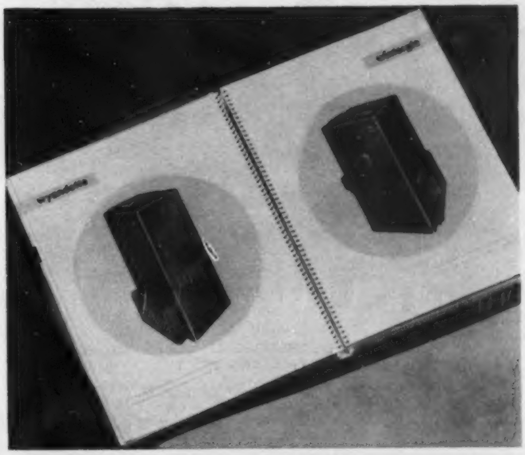

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CONTENTS

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The Washington Column

Washington, D. C.— Enough Congressmen are cooling toward controls that the final Defense Production Act will probably be a much-watered-down version. The consensus here is that prices won't be rolled back. Housing rents will be allowed to rise and local option will be continued. Commercial rents will not be controlled. Housing credit will be relaxed, and existing housing won't be placed under credit controls.

* * *

Congress is under terrific pressure to relax Regulation X on GI sales under $12,000. The VFW has been leading the fight. It is expected that Congress will substitute a 6% downpayment on GI sales up to $12,000 instead of the present sliding scale under Regulation X. Some quarters believe, however, that May home building starts, which were up over April, may dampen chances for much relaxation.

* * *

Builders in Los Angeles County have raised an eyebrow over the government's designation of Corona, California as a critical defense area. The builders feel that this designation borders on misrepresentation because the alleged "emergency" housing is for persons to be employed at the new Guided Missiles Laboratory. Actually, the builders point out the 150 new units at Corona are for employees of the National Board of Standards, an existing federal agency which is extending its operations out of Washington.

* * *

Dollar Volume of federal public housing, sustaining its steady increase over last year, is now 179% higher than the 26-week period of 1950. Meanwhile, the American Institute of Architects for the first time has had some unkind words to say regarding public housing. AIA spokesmen said recently that some architects commissioned to draw up plans for public housing projects had been asked to give kickbacks from their fees to local political organizations. And architects complain, too, that PHA eliminates their pet ideas and improvements, leaving only a stock plan.

* * *

Defense Mobilizer Charles Wilson says that the total volume of 1952 new construction probably will run about 80% of the 1950 level. Public industrial and military construction will be far above 1950; residential will be below 1950, but not less than 1951, says Wilson.

* * *

HHFA will issue statements from time to time giving the amounts of steel, copper, and aluminum available for the construction field, which may or may not be enough to meet the housing target.

* * *

Here's an example of Washington double talk: On June 15, it was said that NPA was considering putting more teeth in its M-4 order which banned $35,000-up homes and three-floor apartments. The "teeth" would ban construction of houses costing more than $10,000 or $12,000. A few days later, NPA authorized a slight easing of M-4, said that the kinds of construction shown on the "B" list would be allowed to proceed if materials involved were "insignificant" . . . required less than three tons of steel.

* * *

Tax exemption on the profit from the sale of a home when the proceeds are used to buy a new home is expected to be law by September 1 but will be retroactive to January 1, 1951.

OUT OF CONDITION

SALES ARE SLOW. People aren't buying. Downpayments are too high. Mortgage money is tight. And there are a score of other reasons why this swan song is being sung by many members of the real estate and building industry. But, in between grumbles, let's take a look at the principal reason for sliding sales volume.

In our travels around the country we've talked with numerous real estate men and home builders and we've heard about poor business conditions. And then we've gone out and talked with prospective home buyers and with owners who have listed their properties for sale. We haven't found a poor market . . . we've found a rich one . . . ready for the right kind of cultivation.

Some of these owners, most of them with lower-priced property, have listed their homes and never had the salesman call back. "I don't know why we didn't try to sell it ourselves," they say. "All the salesman does is send people out once in awhile and we have to show them through the house. What kind of service is that?" Blame them for asking that question? A lot of them are . . . and it's reasonable that they should.

And many prospective buyers feel that they're getting the run-around. They aren't prospects for luxury homes. They'd like to have a home of their own for about $8000, but they know they'll have to pay $11,000, maybe $12,000, so they've scratched together enough for a downpayment. If they call on some real estate organization for help, not very much interest is shown in their needs. They are referred to a salesman who may give them a list of properties to see for themselves. Or he may condescend to show them a few. But he really hasn't the time to spend on small transactions. He's too busy complaining about the dearth of big sales. It's a sale-on-the first-trip-or-nothing proposition with him.

Meanwhile, there are some real estate builders who are sitting by with houses on their hands. They're moaning about market conditions, but take a look at their houses. They're all alike, except for color . . . same block shape, same setback, same absence of originality . . . the same houses that were selling like hotcakes a couple of years ago when people were so house-hungry almost anything would do.

We can't help but remember the story about the amateur golfer whose golf balls landed on an ant hill. The golfer arrived soon after the ball, adjusted his stance, swung, missed the ball, and killed five ants. He regained his balance, swung again, missed again, and this time killed 10 ants. The golfer was being carefully watched by two ants who had thus far survived the massacre. One ant said to the other: "This situation is getting critical." The other ant replied: "It sure is. If we want to live, we'd better get on the ball."

In the scramble to make a profit, some people in the industry have become lazy. There are those who have become so accustomed to selling a large piece of merchandise and reaping a sizeable commission with little effort that they've lost their sense of selling. They've forgotten all about the little fellows and what they need and what they want. They've forgotten that "getting on the ball" is a good solution to a critical situation.

A lucrative housing market exists today. It isn't a "sit-back-on-your-heels" market. It's a market that requires honest-to-goodness selling and building for what people want and desire. Unless we condition ourselves to that kind of market and work hard to cultivate it, we'll be complaining about poor business for some time to come.

—B.F.

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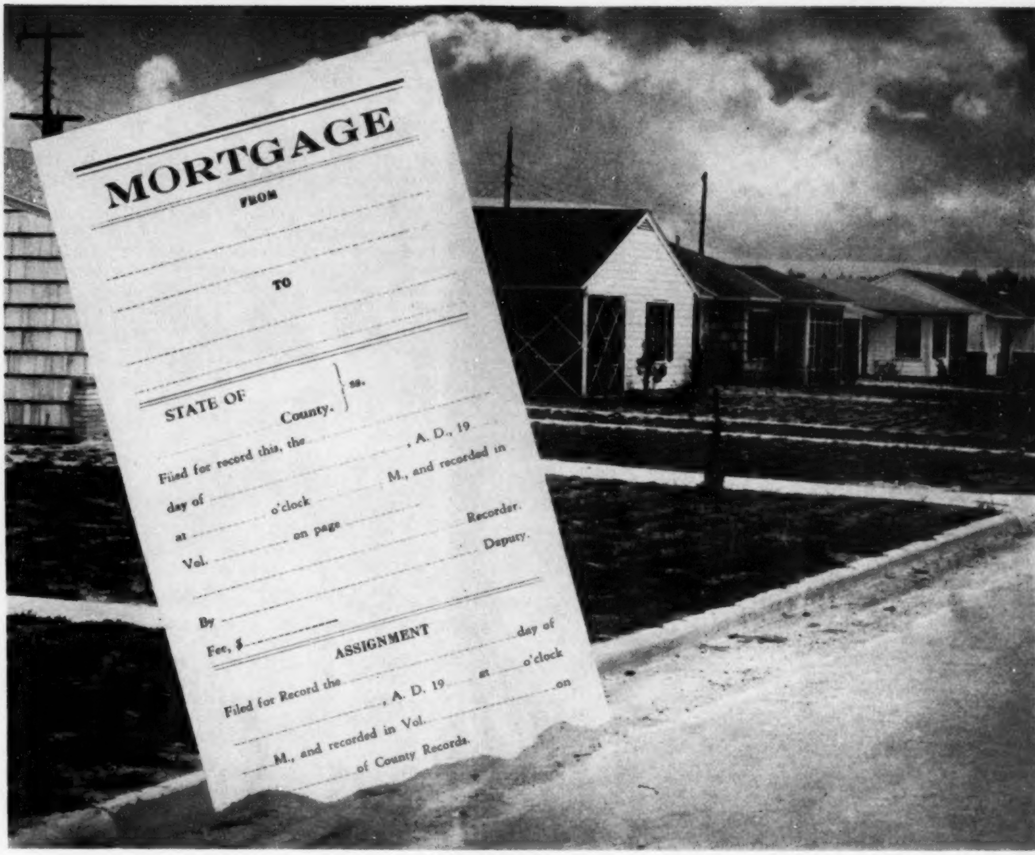


Mortgage Money . . . More or Less?

By **HOWARD J. LUDINGTON***
President, H. J. Ludington, Inc.
Buffalo and Rochester, New York

Will the government boost FHA and VA interest rates to get lenders back into the mortgage market? How long will the present dearth of mortgage money last? Will government bonds be repegged? How much money can the government be expected to lend directly? The author, whose past predictions in the Journal have proved correct, sums up the current mortgage situation and offers his experienced opinions about what is going to happen in the future

THE mortgage market at the present time is in approximately the same condition as the fellow who went to the hospital suffering from acute indigestion and woke up to find he was convalescing from not only indigestion but an emergency appendectomy which the doctors threw in for good measure.

The nation's lending institutions began early this year to indicate discomfort in the process of digest-

ing the unprecedented volume of mortgage loans for which they committed during 1950. Many of them began to curtail their lending activities and several of the larger institutions were out of the market to all intents and purposes as early as January.

Then in March, when the Federal Reserve Banks ceased to maintain government securities at pegged prices, the majority of lenders found themselves forced to liquidate government bonds below par in order to meet their outstanding mortgage commitments.

As a result, there has been a wide-spread withdrawal from the mortgage market with a subsequent build-up of mortgage paper in the hands of mortgage companies.

This in turn has acted to discourage builders seeking construction money and permanent loans and there has been a sharp decline in the number of building starts due to the tightness of this market.

The availability of mortgage financing is the very life blood of the building industry. For instance, when mortgage money is plentiful many houses are constructed. On the other hand when money is tight production decreases.

For many years the cost of materials and labor for housing has continued to rise which has resulted in the cost of homes approximately doubling in price since 1940. Interest rates are the only item that has gone down.

Painful as the process of recovery may be, however, there is every indication that the patient is improving and by this Fall should be in good health, though not as wildly exuberant as during the past few years.

Money is just as plentiful today as it was six months ago, but there is a different price tag on it at the moment. The supply of mortgages far exceeds the demand and, in order to place loans, they must be offered at reduced prices. The current Macy-Gimbel sales are vivid examples of what develops with an over-supply of any type of merchandise. Mortgages are no exception.

**Mr. Ludington has been active in the mortgage field for many years on a nation-wide basis. His company, one of the nation's leading mortgage banking firms, was one of the pioneers in the marketing of FHA mortgages and during the past year and a half has handled more than 70 large rental projects, including 608's, 207's and Title VIII (military housing) projects.*

A major problem from the lenders' viewpoint, of course, is the matter of yield. It is apparent that when they have to sell government bonds at a discount the yield is decreased and FHA 4¼'s and VA 4's lose much of their attractiveness, despite the insurance and guaranty features.

The interest rate on conventional loans has increased on the average approximately ½ of 1%, the rate now being from 5 to 5½%. Builders who in the past few years have been getting discounts on construction money are now paying up to 6% and in some cases more for this financing.

Some bankers are looking for an increase in the interest rate on VA and FHA mortgages, but it is believed this is wishful thinking because there seems to be no indication that government officials are giving serious consideration to such a move.

There certainly would be greater stability in the mortgage market should FHA increase its interest rate by at least ¼ of 1% and VA increase its rate by at least ½ of 1%.

When the mortgage rate is fixed by law at a level that is unattractive to lenders, capital will flow to other types of investment. For example, institutions will turn to high-grade bonds providing better net yields.

However, it just does not seem to be in the cards at the present time for any increase in the rates on insured or guaranteed mortgages. It is much more likely that there will be a substantial increase in the amount of government direct lending should government-insured and guaranteed mortgages fail to find a market at the present interest rates.

The threat of direct lending at a low interest rate means more inflation. This should be avoided at all cost because by establishing low interest rates for mortgage lending we are playing right into the hands of "old man inflation."

The writer has often stated in the past that enforced low mortgage interest rates prevents the free flow of mortgage funds and causes a general tightening of the mortgage market.

The Federal Reserve Board which is composed of some of the country's leading citizens, men well versed in all phases of our economy, is endeavoring, in my opinion, to put the brakes on inflation and rightly so. This, the writer believes, means higher interest rates, eventually.

The issuance of the 2¾ government bonds in place of the 2½'s is an indication of higher interest rates.

Of great assistance in solving the problem of mortgage financing would be the creation of a central mortgage bank. Such an institution would provide the necessary resale or discount facilities which are not available today in the mortgage field.

This proposed institution, privately financed and operated could be modeled after the Federal Reserve System with a central bank board and district banks.

The function of the Federal National Mortgage Association should be to provide liquidity for mortgage loans in period of stress and not be used as a market place in which institutions can sell their loans simply to acquire funds for new mortgage investments.

Despite the current maladjustment, it is believed that by fall there will be an increased demand for FHA mortgages balanced against a sharply decreased supply.

Regulation X and the tight money market have combined to cut building starts sharply. When the mortgagees start looking around for loans again, it is felt that they will find them in short supply.

Commitments made last year are now being filled and by the end of the summer a large volume of these mortgages will have been delivered and more and more mortgagees will be returning to the market.

Meanwhile, funds continue to flow into insurance companies, and deposits in savings banks and savings and loan associations have increased steadily since March with a particularly sharp rise during May.

It is interesting to observe that many astute mortgagees are quietly adding FHA mortgages at the bargain levels to their portfolios.

The accumulation of funds through additional insurance sales, increased deposits and amortization of present mortgage portfolios, combined with a drastic decrease in the number of mortgage loans available will combine, in my opinion, to bring the mortgage market back to a near normal position by fall of this year. By that time FHA mortgages should demand a premium.

Merchandising Built-For-Sale Houses

By ARTHUR R. STORM,
*Realtor-Builder**
Teaneck, New Jersey

Whether you are building homes for sale and have your own selling organization or want to act as sales agent for a builder, the competition for today's buyer demands an increasing degree of merchandising aptitude. Salesmen must be trained to know more about their product, offer more services to both buyer and builder, deliver a complete package. The author, a real estate-home building executive himself, tells how to increase project sales

I KNOW of no instance where it is more important to think in terms of the other man's needs than in your contacts with builders. We can all use it in connection with prospects and customers, but when you are trying to sell your services to a builder, it is definitely a *must*.

If a builder does not have his own real estate organization he cannot arrange the many details in the sale of a development house, in my opinion, as well as a selling agent. The smart agent is going to sell this service to a builder and become the builder's sales representative.

Too many sales agents show a model home to a prospect, locate the builder somewhere on the job or in his office, and then take two steps back, expecting the builder to close the deal. Well, that isn't so funny, but the funny part is that that sales agent also expects to collect a commission.

The sales agent should offer the complete package and then deliver. What is the complete package? Remember that facts are righter than guesses, but it is easier for many of us to guess. When we do that on developments, we wind up behind the eight-ball, not only with the customer and the customer's attorney, but with our builder and with our fellow sales people who are working the development with us.

These are the things I try to do and try to teach my salesmen to do:

When we talk to a builder about being kind enough to retain our services as a sales agent, the first thing we must do is obtain a plot plan. We must know what model is going into each plot; we must familiarize ourselves with the restrictions; we should know the distances to the shopping district, schools, amusement places, churches. We should know about all forms of transportation. We should have a list of extras from our builder, so that no matter what Mr. and Mrs. Jones may want to know pertaining to the cost of some particular extra they have in mind, we can give them the answer.

It seems to me that it is imperative that we familiarize ourselves with the amount of downpayment required for each house in the development. They will vary. You will have some bungalows and some two-story houses, some small ones and some large

** Mr. Storm's remarks were originally presented at the Asbury Park Sales Clinic conducted by the New Jersey Association of Real Estate Boards.*

ones. It is highly imperative that our sales organization be equipped with the information pertaining to the highest G.I. commitment obtainable, and also the highest civilian commitment.

My salesmen should know at all times how to figure a 15-, 20-, 25-, or 30-year mortgage at either 4, 4½, or 5% interest. This is because the buyers' requirements may vary, plus the fact that sometimes this credit information is going to compel you to obtain for them a mortgage running for a shorter term, with perhaps a little higher interest rate, in order to get the leading lending institution to go along with it.

I think signs are very important. I know that we get more inquiries from our signs than our newspaper ads. Therefore, I say that signs are very important with your developer. Not only that, but you should dictate what goes on the signs. I have always told the builder what was to go on the sign, what colors it was to be painted, and that he had to pay for it. And builders will pay for it.

It is very important to the builder that you and I find out what draws the customer, because the builder wants to spend his money in the most advantageous advertising medium. The only way you can inform your builder at your weekly meetings with him is by checking with your own sales organization. Some will come through recommendation; some will come because of signs; some by accident; and some by the ad in the daily paper. It is very important that we know that.

When you are endeavoring to sell your services to a builder, you should inform him that you have made arrangements for publicity articles. Before he makes a comment, you should tell him that you will get just as many prospects from a good publicity article as you will from an ad.

The preparation of the short form or the agreement of sale or the offer to purchase — whichever you may call it — is most important. In our office, on our developments, we have now established the policy where we will take no deposit less than $200. It used to be $25 and that was a waste of time. When a prospect gives you a $25 or $50 deposit, he is not serious. Get $200 and go home and tell your wife you made a deal. Your percentage of cancellations with a $200 deposit is much less than if you accept a small deposit.

Be sure to put all the details in your agreement of sale. That is your commission. If you flop on your short form and some lawyer fixes it up and says, "This is void," or "it is lacking in this," you don't have a deal. What is the use of your taking a deposit and spending your time to prepare an original agreement of sale and eliminating something that makes it a binding deal? Pay as much attention to your agreement as you do to any other document. Your secretary won't have to ask a single question in order to prepare the form of contract.

I think it is important that we explain the advance payments necessary. And I think also that if you are selling a $20,000 house in a development, and take 10% down on signing the contract, leaving $18,000 coming from the buyer to the builder, and the highest construction loan he can get is $14,000, the builder is $4000 behind the "eight-ball" the minute you handle the transaction.

Get yourself in right with the builders by taking 10% down on the contract, which on a $20,000 sale would be $2000. That leaves $18,000. The builder is going to get a 14,000 mortgage. That leaves $4000 coming from the customer. And just as soon as you make your deal with your prospect, divide that $4000 by four. Let your customer pay his money to the builder as the house progresses, under some arrangement such as when the roof is on, the rough plumbing and electrical work in, the house is plastered and ready for decoration, and when the house is finished.

I think the proper qualification of a prospect is perhaps the most important thing that you and I have to do when talking to a prospect in an endeavor to sell him a piece of real estate. Can he afford it? Are we going to cause a divorce if we let him buy it? After all, the old axiom that you should not pay more per month than you make per week still holds good — and there are many lending institutions which feel that it shouldn't be that high any more.

The preparation of your prospect's financial statement is very important, and I don't think it should be tossed in the hands of an inexperienced salesman. If a man owns an automobile free and clear, show it. If he has $2700 cash surrender value in a life insurance policy, show it. If he owns $6000 worth of furniture, show it. We're interested in obtaining a loan, and our chances are much better if those figures are high rather than low.

We should point out to the builder that we do all the paper work. I say to builders, "All you have to do are three things: Build a house, take money from me, and sign a deed on the date of title. We prepare a contract for you. We prepare the FHA and VA papers, if any. We prepare whatever financial statement is necessary. We follow through to see that the closing comes along, and we attend the closing and bring you the money. Now, if for that you don't think we are entitled to a commission, just save your time and ours because that's all we have to offer."

And be sure you do offer these services to the builder if you want to be successful.

Don't forget, on development sales, to tell the prospect the exact amount of tax on the property. Don't say, "About $22 a month." Let him know the exact monthly carrying charges.

You should be able to give your prospect the names of his future neighbors, up and down the street. It is very helpful if we can tell the prospect something about his new neighbors.

Actual completion dates and actual closing dates are both important. If you have to guess, guess high. The prospect loves to go home with a little more money than anticipated. In that way, you will make a friend.

Remember that successful salesmanship is 90% preparation and 10% presentation. The most useful virtue in selling development houses, just as in selling old houses, is patience. Harrison Todd has said that two-thirds of promotion is motion.

Here is my idea of an excellent definition of a customer: The customer is the most important person to enter our place of business. The customer is not dependent on us; we are dependent on him. The customer is not an interruption of our work; he is the purpose of it. We are not doing him a favor by serving him; he is doing us a favor by giving us the opportunity to do so.

The customer is not the outsider to our business; he is part of it. The customer is not a cold statistic; he is a flesh-and-blood human being, with feelings and emotions like our own, and with biases and prejudices like ours.

Pace-Setters for Shopping

400,000 Californians offered "one-stop" service by 35-acre, $30 million Stonestown shopping center

A 35-ACRE TRACT adjacent to a college campus and a 700-unit housing development is the site of the $30 million Stonestown shopping center in the Lakeside district of San Francisco. When completed, the center will have a trade population of more than 400,000 people and will contain more than 700,000 square feet of floor space.

Completely designed by Architect Welton Becket and Associates of Los Angeles, Stonestown will contain a three-story department store, an 1800-seat theatre, two super markets, a complete service station, a 200,000-square foot office building, a five-story medical building, two banks, a mall lined with specialty shops, a "sky-room" restaurant, and six landscaped parking areas to accommodate 3000 cars.

All buildings in the center are designed to conform to a central architectural scheme and are being constructed with concrete, fieldstone, ruffle brick, and glass.

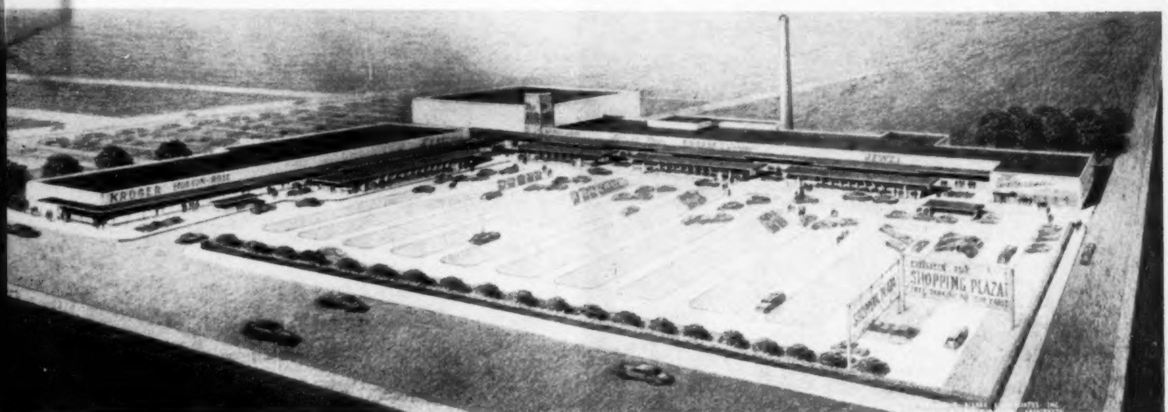
The three-level department store, to be completed by late 1951, and its extensive parking areas will cover five acres of ground and contain approximately a quarter-million square feet of floor area. It will have a 100-foot cuneiform tower of porcelain enamel, called a "flying wedge," used to house the elevator shaft, penthouse, ventilating fans, and other mechanical equipment. Cantilever arcades provide covered pedestrian passageways along most of the building's circumference.

The L-shaped, five-story medical building will have 130,000 square feet of floor space with the top four stories devoted to 65 professional tenants. The ground floor of the concrete, ruffle brick and fieldstone building will include a bank, post office, pharmacy, and eight specialty stores. Adjoining the building, will be a two-level garage to provide parking for 125 cars.

Wide expanses of glass, natural wood finishes, and extensive indoor planting will be utilized throughout the building. It will have four-foot concrete "eyebrows" above the continuous bands of windows providing sun control.

The owners and builders of Stonestown are Ellis Stoneson and Harry Stoneson of San Francisco.

Underground delivery conveyors, curb-service shops highlight 70-store Chicago shopping plaza



FOUR AND ONE-HALF years of planning, including more than two years of negotiating 176 transactions for land acquisition, was necessary before initial construction of the Evergreen Park Shopping Plaza in Chicago's southwest side. Scheduled for completion in early 1952, the center will have 70 stores, cover 21 acres, and offer services to Chicago and suburban shoppers within a 25-mile radius.

Arthur Rubloff & Company, Chicago realtors, in association with A. R. Glancy, Jr., Roger L. Stevens, and Ben Tobin of Realty Associates, Inc., New York and Detroit, are developers of the project and George A. Fuller Construction Company of Whiting, Indiana, is the general contractor.

All buildings will be constructed with fire-resistant materials with buff-colored brick facing and cut stone and granite trim. Continuous canopies will provide all-weather protection to shoppers along the landscaped pedestrian malls. The completed project will have approximately 500,000 square feet of floor space and approximately 4000 lineal feet of store frontage.

Escalators, elevators, and ramps will carry shoppers from level to level and for the motorist there will be an entire wing devoted exclusively to curb-service type stores. Several parcel pick-up stations are planned from which purchases will be delivered by underground conveyors from two large super markets directly to the customer's car. Complete automobile service facilities will be available to motorist-shoppers.

Topography of the land has been made to work in the development's favor as site planning of the sloping ground provides access from grade and parking areas on two different floor levels and to the curb service stores. Use of the land in this manner has made available 50,000 square feet of basement space for prime sales area with direct sidewalk access. This plan has also increased store frontage by 56%.

An interior semi-circular sales arcade, accessible from two levels will include 25 shops devoted to personal services and eating facilities.

A four-story department store will occupy approximately 200,000 square feet of space in the central position of an L-shaped group of one- and two-story buildings. In addition to the department store, other businesses now under lease include mens' and womens' clothing shops, variety store, drug store, sporting goods shop, super market, and many other retail, home-service outlets for shoppers.

The Evergreen Park Shopping Plaza is primarily designed to serve the motorist-shopper and traffic counts indicate an average in excess of 40,000 cars pass this area every 24 hours. Surveys of population in surrounding communities show approximately 500,000 people live within 15-minutes driving time of the center.

Motorists enter a landscaped and flood-lighted dual parking area accomodating 2200 cars and the developers have allowed 385 square feet of parking area for each car. Sixteen retired Chicago police officers will be employed to direct traffic. In addition to the shopping center parking area, off-site property has been acquired for employee parking.

A 70-foot high neon lighted pylon will guide motorists from a distance of several miles and electric name signs of individual stores will be mounted on a continuous sign background visible to approaching cars.

(Aerial photo shown opposite page)

Streamline Your Office for Sales

By ARTHUR D. VAN WINKLE, *Realtor*
Rutherford, New Jersey

THE EXTERNAL appearance of a realtor's office should be attractive enough to command attention. Window displays should not be left untouched from month to month to catch dust, but rather should be kept in a clean and tidy condition. Photos of properties which are for sale should be displayed in an appropriate manner.

Walk-in customers should be received by one person. All salesmen should not jump to their feet and rush to the door as soon as a person walks into the office. In my office, each salesman is designated a day in which all walk-in customers and telephone inquiries are referred to him. In his absence, other customers are directed to anyone available. When sales people leave the office, it is very important for them to leave word where they are going to be and for how long. In this way you can avoid having customers wait indefinite periods of time.

If a customer has to wait, make him comfortable and give him a magazine to read such as the *National Real Estate and Building Journal*, the *Appraisal Journal*, the *Journal of Property Management*, or *Perfect Home Magazine*.

Here's a new one I heard about the other day. There is a real estate office in Westchester County where they offer a customer hot tea on his return from inspecting a cold, empty house on a wintry day. This idea could be extended to a cool, refreshing drink on a hot day.

Above all, train your employees to be pleasant and courteous to all customers. It always pays to be polite and grant the customer a few minutes talk, even though he is only looking for a four-room apartment to rent at $30 a month. Some day your politeness will pay off.

Telephone calls, in our office, are allocated to a salesman in the same manner as walk-in customers are. It is helpful if your secretary can learn the name, address, and telephone number of inquirers. Salesmen and secretaries should be trained to keep names of customers and telephone number in an accurate manner and also be taught that telephone courtesy is a must for office efficiency.

You have all had customers come into your office followed by a flock of their little angels who amuse themselves by turning over ash receivers, playing with the venetian blinds, and doing other distracting things. Train your secretary to entertain the children in another room, held in reserve for this emergency, with toys, games, and candy. This practice will aid your salesmen and help keep parents from becoming distracted.

The efficient real estate office will have available for each salesman the following three working tools: 1) photo album showing pictures of the properties being offered for sale. 2) Street and assessment maps of the community in which he is selling property. 3) A loose-leaf book containing a complete list of all properties listed with the office.

We have found in a small office that it is more practical to have short impromptu sales meetings than it is to hold them at scheduled times. An exchange of ideas and thoughts among the men in the office is always beneficial. In my office, we hold group discussions of this sort whenever there is a lag.

In-Town Country Living

AN APARTMENT "ESTATE" large enough to provide the luxury and privacy of a country estate plus income from apartment rentals, yet not having more than four family units, were the requirements met in the construction of a $100,000 project in University City, Missouri, a suburb of St. Louis.

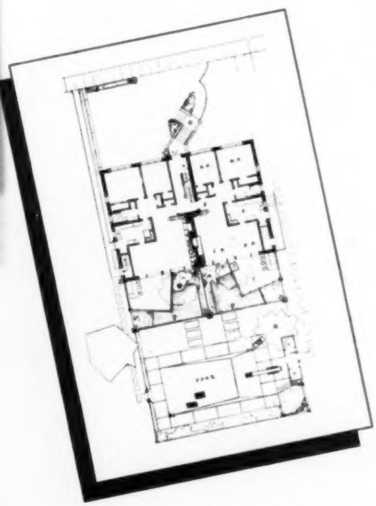
Built on a 80x150-square foot lot from plans of Architect Bernard McMahon of St. Louis, the two-story, brick-constructed apartment is designed in modified "Swedish" modern and stresses interior room planning around the needs of the family unit with the exterior features designed as a "cocoon" to fit around these needs.

Each apartment has five rooms with an all-electric kitchen equipped with General Electric appliances. The first-floor apartments have an enclosed 17x19-foot terrace room with built in bar and a 13x17-foot outside patio. All four apartments have access to a 65x70-foot landscaped recreation area, complete with a 25x45-foot swimming pool.

One of the walls in each living-dining room area is made entirely of brick and has a wood-burning fireplace set 15-inches above the floor to provide a comfortable hearth-stone seat. Built-in recesses have been provided for radio, television and planting shelves.

The opposite wall, in the first-floor apartments, is made entirely of glass and separates the dining area from a terraced patio that is enclosed with 26 feet of Thermopane glass.

One of the unique design features is the provision made for an 18-inch oak tree to continue growing within the confines of one apartment. The tree grows through an opening in the concrete floor and extends through the apartment roof. Automatic watering controls beneath the floor provide the necessary moisture for growth and the apartment roof is designed to permit the tree to sway slightly in strong winds.



First floor and plot layout shows center hall entrance plan, space for patios, recreation area, terrace rooms. Building has ground level garage space with large turn-around area. Pool is flanked by gardens and walks.

Compare Your Apartment Costs

Are you on or off the operating cost beam for apartments under your management? Are you spending too much or too little for repairs, decorating, fuel, utilities? Apartment managers in the District of Columbia pool their experiences to help find cost flaws in their own operations and compare with past accountings. Their findings may be helpful to you in holding down costs

By CHARLES J. BAUER, *Executive Secretary*
Building Owners' and Managers' Association of Metropolitan Washington

APARTMENT house managers in the District of Columbia have a yardstick against which they measure their cost of doing business. This is made possible by confidential pooling of their experience, resulting in a report giving annual cost-and-income data for individual buildings, and averages for groups of buildings.

The report of 1950 expense and income comprises 49 elevator apartment buildings, all of which have been under rent control for 9 or 10 years, the newest having been built in 1942. The rent control factor is extremely important since it has seriously limited income; average rent rise allowed in the entire 1941-1950 decade has been less than 9%.

Owners and agents participating in the survey are able to make comparisons of their buildings with others, and with 1949 as well as 1950 averages. Many regret that such statistics were not gathered regularly in the past, for in that case they would now have a most useful blueprint of the economic effects of prolonged rent control.

However, even in the short 1949-1950 span covered by the two annual surveys, important changes in the operation of elevator apartment buildings appear to have occurred. One such change is the conversion in some buildings from manual to automatic elevators and, in others, abandonment of switchboard service. Both have led to payroll economies. While the buildings reported in the 1950 survey are not identical with those in the 1949 survey, it is perhaps significant that 40.8% of the elevators were automatic in the former, as compared with only 31.7% in the latter. Similarly, switchboard expense in 26 unfurnished apartment buildings last year averaged $9.25 per room, or $2.29 less than in the group of 32 like buildings reported for 1949.

Operators found that their costs had risen while income remained about the same: 56.69 cents of the income dollar was spent in 1950, exclusive of interest, depreciation or capital outlay, compared with 53.51 cents spent the preceding year. Inexorably driven by fixed income on the one hand and rising expenses on the other, owners generally seem to have turned to expedients they might have shunned in a free market. Maintenance and repair, on which they averaged

UNFURNISHED ELEVATOR BUILDINGS

ARRANGED IN ORDER OF OPERATING RATIO (PCT. INCOME SPENT TO OPERATE), 1950 EXPERIENCE D. C. UNFURNISHED ELEVATOR APARTMENT BUILDINGS														
Operating Ratio Rank	Room Count	PER ROOM		PERCENT OF INCOME TAKEN BY				COST PER ROOM		Type Heat (H)Handfired (A)Automatic	Kind of Fuel	Elevators (M)Manual (A)Automatic	Rent Covers (E)Elec. (G) Gas	Year Built
		Expense ÷ dollars	Income = dollars	All Expense (Op.Ratio)	Payroll	Real Est. Tax	All Other Costs	Repair & Maintenance	Fuel					
1	187	157.39	326.94	41.77	15.69	8.85	17.23	$3.82	$15.05	Hot Water (A)	Coal	1 A - 1 M	EG	1938
2	93½	95.40	221.99	42.11	3.61	10.17	28.33	7.95	15.82	Hot Water (A)	Oil	1 A	EG	1937
3	230	113.13	261.10	43.33	11.06	9.46	22.77	6.10	12.86	Steam (A)	Both	1 A - 1 M	EG	1938
4	186	106.26	234.06	45.40	6.00	11.75	27.65	8.55	16.63	Steam (A)	Coal	1 A	EG	1934
5	499	111.14	235.00	47.29	7.83	10.04	29.42	7.58	18.63	Steam (A)	Coal	3 A	EG	1926-37
6	366½	190.18	389.00	48.89	14.12	8.20	26.57	26.99	18.05	Steam (A)	Oil	2 A	E	1939
7	198	163.39	320.45	50.99	18.06	10.31	22.63	22.75	16.14	Steam (A)	Coal	2 M	EG	1937
8	121	149.78	292.35	51.24	7.06	10.34	33.85	30.50	11.38	Steam (H)	Coal	1 A	EG	1936
9	207	141.58	274.71	51.54	9.29	10.10	32.15	13.45	11.01	Steam (A)	Coal	2 A	EG	1937
10	96	85.59	160.69	53.27	22.95	9.70	20.62	9.75	14.06	Hot Water (H)	Coal	1 M	----	1906
11	142	140.92	257.24	54.76	5.12	13.45	36.26	36.45	16.85	Hot Water (A)	Coal	2 A	----	1927
12	176½	144.16	256.95	56.11	10.86	10.72	34.53	8.66	16.35	Steam (A)	Coal	1 A - 1 M	----	1925
13	975	119.34	209.01	57.10	25.06	11.99	22.05	9.71	10.76	Steam (A)	Coal	3 M	----	1923
14	317	171.07	291.07	58.77	15.54	9.18	34.05	20.36	12.53	Steam (H)	Coal	1 M	EG	1925
15	190	104.96	172.73	60.76	22.87	---	37.89	15.87	13.76	Steam (A)	Coal	2 M	----	----
16	216	112.11	181.79	61.67	19.28	8.62	33.77	22.27	12.76	Steam (H)	Coal	1 M	EG (Some)	1904
17	185	134.62	217.14	61.99	22.00	12.41	27.58	12.59	14.69	---	Coal	1 M	----	1928
18	198	172.67	272.85	63.29	11.91	10.00	41.38	49.26	9.07	Steam (A)	Coal	1 M	E	1930
19	121	138.07	206.79	66.77	13.92	8.60	44.25	26.40	17.00	Steam (A)	Coal	1 A	EG (Some)	----
20	202	148.66	222.66	66.77	15.96	10.67	40.14	27.24	14.44	Steam (H)	Coal	1 A - 1 M	----	1922
21	216	205.00	301.77	67.93	20.81	9.94	37.18	41.04	13.77	Steam (A)	Coal	4 M	----	1918
22	150	201.17	294.97	68.20	27.78	10.17	30.25	23.56	18.59	Steam (A)	Coal	1 M	----	1926
23	211	134.02	192.43	69.65	24.66	10.91	34.06	12.37	19.18	Vapor (H)	Coal	2 M	----	1917
24	266	152.66	214.63	71.13	13.76	10.90	46.47	43.10	17.71	Steam (H)	Coal	2 A	EG	1936
25	175	210.94	248.91	84.75	21.80	9.85	11.97	69.49	19.45	Steam (H)	Coal	2 M	----	1916
26	94	240.49	276.00	87.13	25.10	9.74	52.29	69.52	19.11	Steam (A)	Coal	1 M	EG (Some)	----
All 26 Bldgs.	5,989½	143.42	250.16	57.33	15.94	10.30	31.34	21.60	14.76	---	---	26 M - 19 A	E-15,G-13	1904-1939
1949 Report	8,471	144.71	258.88	55.90	18.40	9.83	27.67	20.88	14.56	---	---	45 M - 16 A	E-14,G-10	1899-1939

$32.66 per room in 1949, declined last year to $26.17 in the reported buildings. Nevertheless this totaled about a month's rent.

The buildings paid real estate taxes of more than $366,000, and on the basis of two-thirds assessed valuation, are worth an estimated $26 million. They represent a limited-profit operation since their crude net was only $1,667,696, or 6.41% before any allowance for interest or depreciation.

One great difficulty in developing an experience exchange for apartment houses is the differences in types. Flats cannot be compared with garden type units nor with elevator apartments. For this reason the experience exchange is confined to elevator apartment buildings. The FHA, which has become a kind of over-landlord in recent years by reason of the many 608 projects it insures, has developed some cost records for yardstick purposes. The FHA office for the District of Columbia recently gave out selected cost averages of 15 garden developments. A comparison of these averages with those in our 1949 survey of 32 unfurnished apartment elevator buildings, shows extreme differences.

Costs in Dollars per Room for 1949

	32 Rent-Controlled Unfurnished Apt. Elevator Bldgs.	15 Garden Type Projects Insured by FHA (608)
Water	$ 2.67	$ 3.07
Refuse	1.47	.33
Insurance	2.34	5.17
Fuel	14.56	12.85
Payroll	47.64	10.86
Repairs, Decorating	20.88	2.27
Total These Items	$89.56	$34.55

AIR CONDITIONED BUILDINGS AND OTHERS

IN ORDER OF OPERATING RATIO (PCT. INCOME SPENT TO OPERATE) 1950 EXPERIENCE D. C. ELEVATOR APARTMENT BUILDINGS (Including Only Those With Substantial Store Income - See Footnote - Or With Substantial Proportion of Furnished Apartments, Or Which Are Entirely Air Conditioned)															
Operating Ratio Rank	Total Rooms	Furn. Rooms	PER ROOM		PERCENT OF INCOME TAKEN BY				COST PER ROOM		Type Heat (A)Automatic (H)Handfired	Kind of Fuel	Elevators (M) Manual (A)Automatic	Rent Covers (E)Elec. (G) Gas	Year Built (*Air Cond.)
			Expense ÷ dollars	Income = dollars	All Expense (Op.Ratio)	Payroll	Real Est. Tax	All Other Costs	Repair & Maintenance	Fuel					
1	390½	40	172.81	383.78	45.03	14.15	8.20	22.68	$26.86	$17.12	Steam (A)	Coal	2 A	EG (Some)	1930
2	278	0	180.45	385.33	46.83	10.18	8.29	28.36	7.58	15.23	Steam (A)	Coal	1 A - 1 M	EG	1941*
3	266	0	129.02	270.74	47.66	11.33	9.18	27.15	11.73	13.80	Steam (A)	Coal	1 A - 1 M	EG	1937*
4	322½	0	209.16	429.62	48.69	10.14	8.04	30.51	11.22	15.12	St.Hot Air (A)	Coal	2 A	EG	1941*
5	312	0	202.50	409.37	49.47	12.85	7.86	28.76	28.52	13.02	Hot Water (A)	Oil	2 A	E	1940*
6	86	18½	141.08	266.00	53.04	5.97	10.64	36.43	20.42	29.95	Steam (A)	Coal	1 A	EG (Some)	1926
7	290½	0	240.56	446.12	53.92	10.67	7.96	35.29	12.14	14.97	St.Hot Air (A)	Coal	2 A	EG	1941*
8	258	58	184.11	334.16	55.10	11.31	10.22	33.57	32.62	18.81	Steam (A)	Coal	2 A - 2 M	---	1919
9	143	29	207.31	371.10	55.87	17.84	12.40	25.63	47.26	12.29	Steam (A)	Coal	2 M	---	1923
10	265	29	177.11	316.04	56.04	14.86	9.99	31.19	24.63	18.30	Steam (A)	Coal	2 M	---	1915
11	327	85	192.88	343.12	56.21	12.07	10.62	33.52	41.85	19.65	Steam (A)	Coal	2 M	---	1928
12	237	0	195.75	348.74 s	56.93	17.24	8.86	39.69	30.76	18.72	Steam (A)	Coal	2 A	E	1938
13	335	0	209.50	366.38 s	57.18	14.20	11.35	31.73	33.49	19.07	Steam (A)	Coal	2 M	---	1925
14	673	0	132.14	224.29 s	58.92	15.64	9.61	33.67	28.55	11.27	Steam (H)	Coal	2 M	---	1929
15	428	47	198.06	333.08	59.46	12.50	10.37	36.59	39.56	20.98	Steam (A)	Oil	1 A - 2 M	---	1925
16	660½	58	208.58	345.19 s	60.43	20.07	8.18	32.18	30.28	14.43	Vapor (A)	Oil	3 M	E	1928
17	266	58	244.82	404.86 s	60.47	16.62	8.58	35.27	40.87	18.02	Steam (A)	Oil	2 M	---	1928
18	498	125½	135.59	222.39 s	60.97	13.37	8.56	39.04	23.48	11.83	Steam (H)	Coal	2 M	EG	1919
19	200	0	241.47	384.17	62.86	18.62	8.18	36.06	43.51	19.04	Hot Water (A)	Coal	2 A	E	1939*
20	158	25	139.36	219.10	63.60	7.84	12.10	43.66	46.76	13.50	Steam (H)	Coal	1 A	E	1928
21	158	53	239.44	373.22	64.16	18.44	8.70	37.02	50.34	21.28	Steam (A)	Coal	2 M	---	1928
22	263	38	187.97	285.46	65.85	16.36	10.51	38.98	44.72	14.38	Hot Water (A)	Coal	2 M	---	1920
23	305	67	167.71	245.77	68.24	18.13	9.44	40.67	39.88	14.15	Steam (A)	Coal	2 M		1917
All 23 Bldgs.	7,132	725	185.62	329.85	56.28	14.33	9.19	32.76	30.01	15.92	20(A)-3(H)	----	19A-27M	E12-G6	1915-41
1949 Report	9,925½	863	170.04	327.63	51.90	14.94	9.15	27.81	42.71	14.84	21(A)-6(H)	____	24A-41M	E17-G12	1915-41

s Each building so marked had store income of more than $2,000.

The above averages well illustrate the higher costs involved in older elevator apartment houses, which generally are more conveniently located, have a higher standard of service to tenants, and require greater expenditures for repairs and decorating, than newer garden developments situated on less expensive suburban land.

But even among elevator buildings differences exist: some are entirely unfurnished while others have a substantial proportion of furnished apartments, with higher rent reflecting greater capital outlay. Many apartment houses rely somewhat on store income while still others, being air conditioned, naturally command higher rents.

In the surveys, responding buildings were divided into two groups, the first comprising only typical unfurnished apartments. The second group was made up of six air conditioned buildings, six others with at least $2000 annual store income, and 11 more in which upward of 5% of the apartments were furnished. Averages were developed for each of the two groups, as well as for the 49 buildings as a whole comprising in all 4576 apartments with 13,120 rooms, of which about 800, or 6% were furnished.

Among the more interesting averages, because they account for so large a share of the expense, are payroll, fuel and real estate taxes, which together take about 30 cents of the income dollar. All other expense accounts for less; the average total was 56.69 cents. This figure, the percentage of income required for operation, frequently is cited as "operating ratio." Figures giving cost and income per room are shown for each building, ranked with the other buildings in the order of operating ratio.

While the operating expense includes such fixed charges as insurance, property taxes and license fees, it does not include any capital outlay, allowance for interest or depreciation.

Some may think that apartment house operating costs should be expressed on a square foot basis, as is the practice in the Office Building Experience Exchange successfully conducted for so many years by the National Association of Building Owners and Managers. The fact is that apartment house operators do not rent, lease or otherwise think in terms of square feet. The most practical common denominator for them is room count.

Within the District of Columbia, room count is well established because the rent administrator uses it as part of his record of a controlled building. The same formula was used in the survey: living rooms and bedrooms, dining rooms not less than 110 square feet and kitchens over 60 square feet or kitchen-dining area combinations at least as large, count as one room; smaller separate kitchens, separate dining areas with outside light, and foyers and entrance halls exceeding 60 square feet, count as one-half room. No count whatever is given bathrooms, strip kitchens in rooms, recesses off rooms, or closets.

Many items of cost and income are shown in the accompanying tables both on a "per room" basis and as "percent of total income," if cost, and as "percent of total expense," if income. Thus average payroll cost was $43.89 per room and 14.95% of total income. Apartment rent was $276.34 per room and 166.11% of total expense.

The following are 1950 cost-per-room averages of 1,931 units with about 6000 rooms in 26 unfurnished elevator apartment houses:

Payroll including manager's pay, front desk, switchboard operators, engineers and all other payroll except that for personnel engaged full-time in repairs and maintenance, $39.87;

Repairs and maintenance, as reported in Federal income tax return, including wages, supplies, materials and equipment, as well as services of outside firms, for ele-

(Please turn to page 39)

SUMMARY OF OPERATING EXPERIENCE ELEVATOR APARTMENTS, 1949, 1950

All Entries Are Dollars Unless Otherwise Indicated

EXPENSE	Payroll	Gas & Electric	Water	Fuel	Switchboard	Repairs & Maintenance	Janitor & Other Supply	Trash & Ash	Real Estate Taxes	Other Taxes, License	Insurance	Other Oper. Expense	Total Oper. Expense
UNFURNISHED Apartment Houses (26) with 1,931 Units, 5,988½ Rooms	$238,764	78,925	16,422	88,390	33,505	129,378	8,870	6,780	150,276	12,277	14,315	80,967	[illegible]
Number Rooms Reporting This Item	5,988½	5,988½	5,988½	5,988½	3,623½	5,988½	4,253½	4,253½	5,798½	5,696½	5,680	5,988½	5,988½
Per Room 1950 Operation	39.87	13.18	2.74	14.76	9.25	21.60	2.09	1.59	25.92	2.16	2.52	13.52	143.48
Per Room 1949 Report	47.64	7.20	2.67	14.56	11.59	20.88	2.51	1.47	26.41	2.40	2.34	8.80	144.71
Percent of Total Income, 1950	15.94	5.27	1.10	5.90	-----	8.64	----	----	10.26	----	----	5.41	57.33
OTHER Elevator Apt. Houses (23) with 2,645 Units, 7,132 Rooms	$337,050	99,122	27,962	113,536	105,298	214,045	12,564	11,120	216,087	15,688	19,013	152,373	1,323,847
Number Rooms Reporting This Item	7,132	7,132	7,132	7,132	6,359	7,132	6,588	6,588	7,132	7,132	7,132	7,132	7,132
Per Room 1950 Operation	47.26	13.90	3.92	15.92	16.56	30.01	1.91	1.69	30.30	2.20	2.67	21.36	185.62
Per Room 1949 Report	48.96	12.49	3.63	14.24	13.42	42.71	2.15	1.46	29.99	1.73	2.59	15.21	170.04
Percent of Total Income, 1950	14.33	4.21	1.19	4.83	-----	9.10	----	----	9.19	----	0.81	6.48	56.28
ALL REPORTING Elevator Bldgs. (49) with 4,576 Units, 13,120½ Rooms	$575,814	178,047	44,384	201,986	138,800	343,425	21,434	17,900	366,363	27,965	33,328	233,360	2,182,727
Number Rooms Reporting This Item	13,120½	13,120½	13,120½	13,120½	9,982½	13,120½	10,841½	10841½	12,930½	12820½	12,820	13,120½	13,120½
Per Room 1950 Operation	43.89	13.57	3.38	15.39	13.90	26.17	1.98	1.65	28.33	2.18	2.60	17.79	166.34
Per Room 1949 Report	48.36	10.24	3.19	14.39	12.70	32.66	2.31	1.47	28.38	2.04	2.47	12.26	158.38
Percent of Total Income, 1950	14.95	4.62	1.15	5.24	-----	8.92	----	----	9.60	----	----	6.06	56.69

INCOME	Apartment Rent	Store Rent	Telephone	Other	Total	Net (Crude)	OPERATING RATIO (Expense ÷ Income) 1950	1949
UNFURNISHED Apartment Houses (26) with 1,931 Units, 5,988½ Rooms	$1,462,105	1,920	25,165	8,871	1,498,062	639,183	57.33	-----
Number Rooms Reporting This Item	5,988½	202	2,742	4,148	5,988½	5,988½	5,988½	8,471
Per Room 1950 Operation	244.15	---	9.18	2.14	250.16	106.74	57.33	-----
Per Room 1949 Report	249.07	---	12.73	2.61	258.88	114.17	-----	55.90
Percent of Total Expense, 1950	170.73	---	-----	----	174.42	74.42	-----	-----
OTHER Elevator Apt. Houses (23) with 2,645 Units, 7,132 Rooms	$2,163,643	55,048	106,402	27,257	2,352,351	1,028,506	56.28	-----
Number Rooms Reporting This Item	7,132	4,600	6,207	5,546	7,132	7,132	7,132	9,929½
Per Room 1950 Operation	303.37	11.97	17.14	4.91	329.83	144.21	56.28	------
Per Room 1949 Report	301.90	16.46	14.78	3.47	327.63	157.59	-----	51.90
Percent of Total Expense, 1950	163.44	-----	-----	----	177.69	77.69	-----	-----
ALL REPORTING Elevator Bldgs. (49) with 4,576 Units, 13,120½ Rooms	$3,625,748	56,968	131,567	36,128	3,850,413	1,667,686	56.69	-----
Number Rooms Reporting This Item	13,120½	4,802	8,949	9,194	13,120½	13,120½	13,120½	10,396½
Per Room 1950 Operation	276.34	11.86	14.70	3.93	293.47	127.11	56.69	-------
Per Room 1949 Report	275.53	14.10	13.79	3.06	295.98	137.60	-----	53.51
Percent of Total Expense, 1950	166.11	-----	-----	----	176.40	76.40	-----	-----

How to Obtain Industrial Listings

Industrial plants are on the move. They want more space, or to locate closer to their markets, or to better their tax situation, or solve an inadequate labor supply. That means business for those who know how to serve industry's real estate needs. Our author, long experienced in this field, suggests ways to get industrial business

By HENRY W. MERRILL, SIR *
C. W. Whittier & Bro.
Boston, Massachusetts

THERE IS NO easy, magical way to obtain listings of industrial property. But certainly there is a lucrative field for those who know how to cultivate it. That first requires knowing industry's needs and then attempting to serve those needs.

Here are some effective methods and actual events that I have found helpful in securing listings.

Be active in community life. Know as many people as possible — owners, lawyers, banking officials, company executives, plant managers, public utility and railroad officials, Chamber of Commerce officers, and other brokers, even if they are not necessarily in the industrial real estate field.

Several years ago a prominent Boston lawyer, whom I had met socially, phoned and asked me to come to his office. There he introduced me to a local manufacturer who had decided to liquidate his plant. It required very little salesmanship on my part after this good introduction to obtain the exclusive handling of the property and later to make a good commission.

Obtain exclusive listings. An exclusive listing well-handled and sold may easily bring another listing.

A prominent local business man owned a sizable property which he gave to my company exclusively. We sold the property at his price and the owner, of course, was extremely happy. Later this man became the liquidating agent of a large bank which had closed. He appointed our company as exclusive agent for all of this bank's foreclosed industrial properties.

Follow business news. Follow the newspapers, Chamber of Commerce bulletins, and trade journals.

News publications are full of items most valuable to listing and selling industrial property. A small statement on the financial page that two companies are about to merge suggests an appointment for you to see whether both plants are to continue in operation or whether one is to be sold.

Advertise your activities. Announcing your larger activities in the local press by paid advertising and free news space is important — and I stress the word important. The sale or lease of smaller properties has little news value. Believe it or not, people do read the real estate news. Up in our neck of the woods you just have the real estate editor announce that you are going out of town for a convention. Then see the number of people who stop you on the street.

One day a gentleman came to our office and insisted we take on his property as exclusive agents. When asked why he came to our office, he said, "I read where you have sold the American Mustard property. If you do their business, I want you to do mine." A fellow who does a good volume of real estate business attracts more business.

Be a good listener. Whether you're at a party, in a public telephone booth, in a club car, or on a plane, be a good listener.

Riding over to Boston from New York one night in the club car of the Merchants Limited, a broker heard a man sitting next to him say to his companion, "I hear the Murphy Company is going to give up its Boston operation because costs are too high." Upon reaching Boston, the broker contacted the local manager of the Murphy Company (it was after 10 p.m.) and obtained an exclusive listing and later made a deal. He was on his toes and on the job.

Make your signs count. Use attractive and well-located "For Sale" and "Lease" signs on every property. The general public is influenced by such signs, particularly if they are well-located. Let everyone know that you are the exclusive sales agent for the Jones Manufacturing Company and other organizations will want you to solve their problem of plant disposal.

Have a good mailing list and use it. Using brochures or even letters with such a list is sure to attract listings. Don't think for a moment that the sole use of such brochures paid for by the owner is to sell that particular property. We circularized one property in Eastern Massachusetts and from that we obtained the handling of two other properties on which we put out brochures. We sold the original property and later sold the other two.

Make appraisals. An appraisal made of a specific property certainly gives you a wonderful opportunity to leave a personalized calling card of large size in a company's file. Company executives may change but your appraisal of the property remains in the file and, if they decide to sell the property, they will naturally turn to you if your appraisal was a sound one.

An appraisal made in 1933 for a particular company was still in the company's file in 1947 after a change in management. Its discovery by the new officers of the company brought the broker seven other appraisals and three sales.

I have emphasized in every case the words "exclusive listing." I sincerely believe that owners are best served by using one exclusive broker. If you have a good reputation as an exclusive broker, non-exclusive listings will not come your way very easily.

The best way to obtain listings on an exclusive or even on a non-exclusive basis is to be alert, effective, and honest on your everyday life and business methods.

* Mr. Merrill's remarks were originally presented at a convention panel of the Society of Industrial Realtors and later in a publication of the Society.

You never know when a tenant store might change its grade of merchandise, or cut its store hours, or close out and abandon the store property. When you make percentage leases you are vitally interested in gross sales volume. It pays to be sure you have the usual loopholes affecting sales well plugged. A review of ten typical cases is given in this article with the court rulings in each case. These cases help point the way to the importance of stipulating protective clauses

WHEN you make a percentage lease with a retail store, you have a direct interest in its sales volume. Although both of you act in good faith, circumstances may change during the course of the lease which may greatly affect the volume. Then come the problems.

Most of such problems can be avoided by care in stipulating the conditions under which the lease is to operate. But before you can make these it is well to know what are the most common disputes which arise over percentage leases, and what are your rights.

A review of typical cases, along with the court decisions may help you.

For example:

What if tenant shifts from high-priced to cheap merchandise?

In a recent Louisiana case, space in a downtown building was rented for five years to a chain specializing in fine quality apparel. Rent was set at $200 a month, plus the excess of 6% of gross sales over this minimum.

At the beginning of the fifth year, the lessor served notice that the lease would not be renewed. Shortly thereafter, the tenant changed the store name and adopted a policy of constant "close-out" sales of cheap merchandise. Finally, three months before expiration of the lease, he abandoned the premises entirely, moving to another location, although he continued paying the minimum rental.

The landlord sued for damages on two counts. First, by changing the character of the stock, the tenant had lowered his gross sales considerably, deliberately reducing the rental. Then, by abandoning the site, the landlord was deprived of any opportunity to receive more than the minimum rent.

Even though the lease had failed to cover this point, the Louisiana courts ruled that there was an implied obligation for the lessee to carry on its business continuously throughout the term. Since there was no proof that heavy financial losses would have resulted if the tenant had maintained the same high quality of merchandise the court commented that the shift apparently had been motivated by personal animosity.

The tenant's right to abandon was denied also. According to the court, it was obvious that the minimum rental was not intended to be the sole compensation; the lessee was required to make all reasonable efforts to bring in enough business to pay an additional sum over and above the minimum. Damages were awarded the lessor equal to a percentage of gross sales which ordinarily would have been made had the tenant remained in possession and not changed the character of his business.

Suppose a drug store closes five hours early . . .

While it is better to provide in the lease for all reasonable contingencies, the custom of the community sometimes protects landlords where such

coverage has been omitted. For example, a drug store operating in a Southwestern city found it would realize about as much net income by opening at 8 a.m. and closing at 7 p.m. as it had earned the four years previously when its hours were from 6:30 a.m. until midnight.

The lessor protested that this arbitrary cut in hours deprived him of a substantial portion of the rent previously received. The five year lease called for a rental equal to 5% of the first year's gross business and 6% thereafter. No minimum guarantee had been fixed.

A suit for damages was decided in favor of the owner. The court reasoned that the amount of rent depended entirely on the continuous operation of the business. Therefore, the tenant was duty bound to carry on in the usual and customary manner in which stores of that kind were maintained in that community. This was a suburban area where the volume of traffic was greatest in the early morning and late evening. Consequently, a deliberate closing would diminish gross sales. Since both parties had entered into the original lease with a clear understanding of prevailing customs, this controversy never would have arisen had the store hours been stipulated in the contract.

Can your theater tenant shut down in hot weather?

Even though actual hardship may result, the courts will uphold a percentage agreement which clearly obligates the occupant to use its best efforts to secure the highest volume of business. The lessee of a theatre in a Southern resort area kept open the year round for the first two years; because of the small net income during the summer season, it decided to close during June, July and August the following year.

A minimum rent of $300 had been set plus the amount by which 10% of gross revenue exceeded $3,600 annually. The tenant argued that payment of $900 during mid-summer fulfilled all obligations, but the lessor demanded additional rental under the percentage clause. Claiming that it wished to maintain its standard as a leading exhibitor in the community, the theatre pointed out that the revenue in the summertime was too small to justify booking the high grade films on which it prided itself.

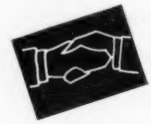
Nevertheless, the court awarded damages to the landlord. It held that in the absence of explicit permission in the lease, suspension during the summer was a breach of contract. The court added that the prevailing view in the United States is that there is no right to suspend operations seasonally upon payment of the minimum figure unless such privilege has been expressly granted.

Can a tenant move part of his store to other quarters?

Where a business is being operated as a unit, a shift of certain departments to an adjoining building under different ownership will not alter the tenant's responsibility. A large building in the state of Washington was leased to a department store for a rental equal to 2½% of gross sales. To obtain more office space, the ready-to-wear, millinery and lingerie sections were moved to adjoining premises and corridors were cut through.

Upon completion of the remodeling, the tenant excluded the gross sales of these three departments in computing the rent. According to its reasoning, the technical wording of the lease required it to account only for the sales "in said building," meaning the original location. The Supreme Court of Washington disregarded this alleged limitation, however.

The business must be considered in its entirety, said the court, and depriving the lessor of his most profitable sources of rental would be grossly unjust. Such a result was never intended in the original lease. The necessity for expansion should have been anticipated and an appropriate revision of rental terms provided for.



Are you stuck with it if you orally modify rates?

In periods of business recession, it may be necessary for a landlord to relax the percentage requirements, especially where the tenant's continuance in the business might be seriously affected. Extreme caution is necessary in such cases to avoid future misunderstandings.

Recently, the lessee of a habadashery requested his landlord to accept temporarily a smaller percentage than was due under the lease. Explaining that sales had fallen off while his expenses were rising, he assured the owner that payments at the scheduled rate would resume shortly.

After nearly a year of leniency, accounting was demanded and it was found that business had been restored to the pre-recession level. Admitting that conditions no longer justified such special consideration, the tenant maintained that the landlord had entered into an oral modification of the percentage clause. Under this new arrangement, he contended that he was entitled to a lower rate for the duration of the lease.

Temporary leniency, the court stated, was not equivalent to a permanent modification of the contract. The lessor could not be penalized for generously aiding a tenant to weather a slack period.

Can he vacate and pay only minimum rent?

Is the landlord required to take over the building and find another tenant if the incumbent decides to vacate before the termination date? The prevailing opinion is that there is no such duty to minimize damages. The New York courts decided in 1947 that the lessee could not take advantage of his own misconduct to penalize the owner.

A general merchandise store took over an entire

building at a fixed rental plus 6% annum on all sales in excess of $400,000. During the term of the lease, the lessee agreed to keep the store well stocked with merchandise and to engage actively in disposing of it. About six months before expiration of the lease, the occupant vacated, informing the owner that the premises were available for another tenant but that the minimum rental would continue.

Refusing to accept such an arrangement, the owner filed suit. The principal defense was that sales for the entire year including the period of vacancy had not exceeded the $400,000 base. Evidence revealed, however, that for the first six months, sales had been even greater than the minimum and would have held up at least as well for the balance of the period had the lessee remained in possession. It was shown also that the underlying motive for the shift was a desire to transfer to a new and busier location.

The court ruled that the lessee had no right to make performance impossible by moving out before selling the amount of merchandise required for the percentage clause to take effect. Although a landlord should allow a reasonable interval for the tenant to wind up his affairs, six months was held to be entirely too long.

How about purposely reducing volume?

In businesses of a seasonal or fluctuating nature, percentage leases are sometimes drawn so that the lessee has the right to cancel if gross receipts for any year fall below a specified amount. Because of the risk assumed by the lessor, the courts demand the utmost good faith on the part of tenants granted this protection. Not only must the usual requirements be observed, but there is an implied covenant that the lessee shall not do anything tending to reduce receipts below the cancellation point.

For example, the lessee of a store in an industrial neighborhood was aware that his volume of sales was directly affected by work stoppages among factory employees. When it was announced that the hours in one of the largest plants were being cut, he took steps to transfer much of his merchandise to a second store in a nearby city. No replacements were made and soon the business became so poor that he served notice of intention to vacate.

Investigation disclosed these facts as well as information that other factories were still operating full-time. Obviously, the lessee has seized upon this pretext as a means of closing down. Therefore, the courts sustained the landlord's refusal to cancel and awarded damages equal to the average rental paid over a period of time, taking into account the fluctuations of the business cycle.

Can a department store re-assign lease?

Occasionally, a percentage lease will be drawn without providing specifically against assignment without consent of the lessor. Because of the manifest advantage to the tenant in holding down fixed expenses, the court usually will sustain the owner in controversies over unauthorized assignments if the lease is silent on this point.

The shoe department in an exclusive women's wear store was rented for a flat rate plus percentage to a concern featuring a nationally known brand of fine footwear. The store owners took it for granted that only quality merchandise would be handled. After several years of disagreements over policy, the tenant decided to set up business elsewhere. To cover liability for the minimum rent, it assigned the shoe concession to a manufacturer's outlet handling inexpensive lines.

As soon as this arrangement was discovered, the management took over the department and refused to permit the sublessee to continue. Considerable time elapsed before another tenant could be secured who handled merchandise of comparable quality. Believing itself entitled to reimbursement for the trouble and expense incurred by the tenant's unauthorized transfer, suit for damages was filed. Judgement was awarded the lessor even though the lessee had not expressly forbidden assignment.

Both the District Court and the Circuit Court of Appeals found for the landlord. The underlying theory was that the original lessee had been selected because it held a franchise for an exclusive brand of shoes and enjoyed a fine reputation. Relying upon this, the owner was justified in assuming that no inferior merchandise would be brought into the premises. Assignment without consent, even though not prohibited by the lease, was considered a violation of the agreement.

Must you share tenants' bad debts?

One of the most common sources of litigation involves the items to be included or excluded in computing the percentage base. Whenever possible, the rental clause should itemize all expenses which may be deducted from gross revenues before the percentage rate is to be applied.

You can never be sure when some unforeseen expense may develop — and you may have to share it.

For example, it was provided that the lessor was to receive one-half of the gross receipts less the cost of direct labor, light, heat and advertising necessary to operate a bowling alley. All equipment was furnished by the owner without cost to the tenant. Special credit rates were then extended to various social clubs and organizations in order to boost business. These "accounts receivable" were included in gross receipts, but part were later charged off as bad debts.

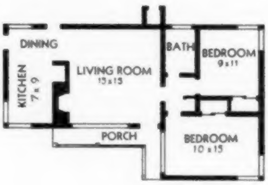
The operator of the recreational hall argued that he should be reimbursed for half of the amounts charged off, since the lessor had been paid his share in computing the rental percentage. Or, since the owner had assented to the credit arrangements, a reserve for bad debts should be set up by deductions from receipts.

These contentions were overruled by the New Jersey courts. Only those charges to which the landlord had agreed could be imposed and he could not be compelled to accept any other deductions.

Homes Our Readers Are Building

Newport Beach builder turns to midwestern scene for home design to use in his seashore building

• IN CALIFORNIA



A HOME DESIGNED in midwestern "farmhouse" style, painted barn-red and trimmed in white, is a best-seller in a series of seashore homes constructed by Builder Robert Ingram of Newport Beach.

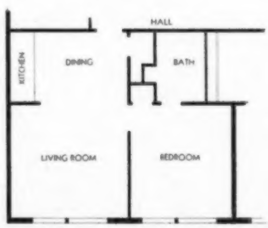
Built on a 30x115-foot lot, the pictured $7200 two-bedroom home has 780 square feet of floor area. A functional space-saver of the home is a partial brick fireplace wall that divides the kitchen and living room. A special recess in the brick wall is used for the kitchen refrigerator. In the living-sleeping areas of the home, heat is provided by a 25,000 BTU Panelray gas wall heater.

All of the Ingram's homes are built on a concrete slab foundation and the exteriors are finished in either pine or fir ship-lap. Floors are covered with asphalt tile and American-Standard or Kohler bathroom fixtures are installed along one wall to hold down plumbing costs.

Ingram constructed 42 homes in the Southern California area last year and hopes to complete an equal number this year despite the many obstacles that beset builders from all sides today.

Year-round air conditioning, television outlets keynote $2½ million, 234-unit Fortune Arms

•IN TEXAS



YEAR-ROUND air conditioning with a Carrier Corporation unit, an RCA master-antenna TV system, and all-electric kitchens with General Electric ranges and refrigerators are a few of the tenant conveniences being provided in Builder E. E. Cloer's Fortune Arms apartment building in Fort Worth.

The $2½ million, 10-story reinforced concrete structure, scheduled for completion in the fall of 1951, will have 234 apartment units, 24 of which will be two-bedroom units and 210 one-bedroom units.

Each apartment will have individual heating controls and 100 of the apartments will be completely furnished. The balance of the apartments will be furnished only with gas ranges and refrigerators.

The exterior of the building will be finished in cream and brown face brick and it is estimated that approximately 500,000 bricks will be required to complete the construction. Eight commercial stores and a restaurant will occupy the ground floor rentable area and accomodations for parking will be provided at the rear of the building.

The architect for Fortune Arms is Charles E. Armstrong.

• IN NEW YORK

Tishman Company, Inc. to complete $7 million, 20-story, 390-unit apartment building by late 1951

SCHEDULED for completion in late 1951, a 20-story, twin-tower 390-unit apartment building is under construction in midtown New York City by the Paul Tishman Company, Inc., New York. Costing $7 million, the project will cover approximately 49,000 square feet and have two separate structures joined at street level by an all-glass reception lobby.

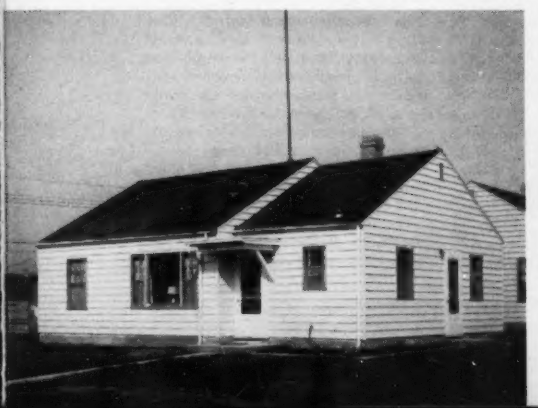
A large private garden between the two towers will be visible from the street through a connecting glass-walled corridor. Each apartment will have an unobstructed view of the East River from both the living room and master bedroom through windows extending from the ceiling to within one foot of the floor. Each unit will have an 80-square foot private terrace and a private service entrance.

Included in the building will be 12 duplex penthouses and 12 specially-designed doctor's suites, each with a private entrance. The balance of the 390 units will range in size from one and one-half to eight rooms. The building will be served by high speed, gearless passenger elevators and have air conditioning outlets and concealed radiation. A two-level underground garage is planned to accomodate 200 automobiles.

The architect is Arthur Wesier and the renting agent is Herbert Charles & Company, both of New York.

• IN INDIANA

Combined radiant and convection heating system used in 106-home project helps in sellout



A CONSTRUCTION feature adding extra sales power in merchandising a 106 two- and three-bedroom home project of The Bar-Tel Company, realtor-builders of Muncie, is an "open" type radiant heating system with a fresh air intake.

The system uses a Majestic counter-flow furnace, placed over the main heating trunk, which forces air along the trunk and into hollow tile and then out of a continuous register on two outside walls. This process gives the home a complete air change at all times, providing 75% radiant heat and 25% convection heat.

The pictured basementless, three-bedroom home sells for $7500, has outside dimensions of 26x36 feet, exterior Kaiser aluminum siding, interior U. S. Gypsum "Perfa-tape" dry wall construction, and Youngstown Kitchens. For easy access to attic storage space, the builder has installed a "fold-a-way" stairs in the hallway between the two rear bedrooms.

Lots in the Muncie project vary from 60- to 100-foot frontages. Staggered set-backs, curvilinear streets, and cul-de-sacs are being used.

Noise . . . that menace to home buyer or property tenant satisfaction . . . can be combated. With the aid of various types of acoustical materials, many properties are being conditioned to solve the sound problem. For the benefit of goodwill-wise builders and managers, the kinds of acoustical materials and the ways to maintain them for maximum effectiveness and economy are discussed here

WITHIN the last decade, the importance of overcoming the harm and annoyance of excessive noises in residential and industrial buildings has become increasingly recognized. Studies and tests of various acoustical materials are continually being made to help make new homes and apartments quieter, to sound-condition older dwellings, and to "take noise off the payrolls" of industrial plants.

The many residential noises that builders and property managers have to contend with can be divided into two categories. First, the man-made and mechanical sounds that originate within the dwelling itself such as radios, kitchen noises, voices, and plumbing, and second, the noises that originate in the vicinity of the dwelling such as traffic and industrial plant noises.

Studies have shown that a mechanical vibration is transmitted through a building with relatively little attenuation and that it is therefore important to deaden it at its source. Noise is transmitted through a so-called "rigid partition" primarily in the following way:

When sound waves strike the partition, they force it into vibration and the more massive the partition, the smaller its vibration. Vibrating partitions do constitute a secondary source of sound and radiate acoustical energy on the opposite side of the partition.

Sound is a physical force traveling in waves 1120 feet per second and it behaves according to definite laws, one being its reflective quality. A sound wave, striking a hard surface "bounces" and reflects on other surfaces in diminishing waves, much as a rubber ball bounces from the floor.

Repeated sounds if not trapped by sound absorbing material such as acoustically treated ceilings, walls, rugs and drapes tends to create wave after wave of reflected sound which mingle in a room and make a confused and annoying sound pattern.

The amount of sound that will be absorbed and not reflected in a room depends largely on the materials with which it is constructed. Plaster for instance reflects .975% of sound, concrete .985%, glass .972% and carpet .80%. The sound reflecting qualities of a vacant room are easily demonstrable. Voices in a room stripped of chairs, carpets, and pictures echo sound from the walls and ceilings.

The acceptable noise level for homes and apartments has been found to be between 35 and 45 decibels. For comparative purposes, it can be pointed out that a whisper at five feet registers 10 decibels, an airplane propeller noise heard at 10 feet registers 120 decibels, and noise registering 130 decibels is said to be on the threshold of painful sound.

From the standpoint of improving acoustics, when planning a building such as an apartment house, it is important the elevators, air conditioning equipment, motors, and other noise producing equipment be removed and isolated from sections that can least tolerate such noise.

It is important to give consideration to such details as the placement of windows and doors. Windows are usually the path of least resistance for air-borne noises and it is not advisable to place windows of adjacent rooms next to each other if moderate noise insulation between rooms is desired.

If a group of rooms all have doors facing a common corridor some advantage may be gained by staggering the position of the doors. Sound conditioning of corridors also helps reduce the noise level of an apartment house.

Commercially available acoustic products primarily designed to function as sound absorbers include prefabricated acoustical tile and blankets. These materials are fabricated from drilled or fissured tile made from mineral or vegetable fibres or granules, perforated

metal and drilled cement asbestos sheets.

Experimental use of these different materials has shown that not one of them will do all jobs equally well. For some installations, the choice of an acoustical material might depend mostly on its sound absorptive properties. Other installations might require stress on such characteristics as fire resistance, light reflection, decorative possibilities, structural strength, and maintenance costs.

Writing a pamphlet entitled, "Theory and Use of Architectural Acoustical Materials," Dr. Paul E. Sabine, a noted authority on acoustics, says, "Absorption of sound involves the dissipation in the form of heat of the vibrational energy of sound waves. Speaking generally, materials that are absorbent in any considerable degree are either porous, inelastically flexible, or inelastically compressible, or they may possess two or more of these properties in varying degrees.

"In porous absorbent materials the pores are inter-communicating and penetrate the surface. The alternating pressure in the sound wave forces the air particles into the narrow channels of the pore structure where their vibrational energy is dissipated by the viscosity of the air and friction against the walls of the channels. Sealing the surfaces of such a material may decrease in considerable degree its sound absorbing efficiency.

"Felts, fabrics, and fibrous materials of vegetable and mineral fibre absorb sound largely by virtue of their porosity and to a certain extent because of their inelastic flexibility and compressibility. Hard, yielding absorbents owe their absorption properties entirely to their porosity.

"Fibrous wall boards with an impervious surface and plywood owe what absorbent properties they have to their forced, inelastic flexural vibration under the alternating pressure of the sound waves at their surface.

"Various means have been found of increasing the absorption coefficients of commercial absorbents, as by slotting, perforating, fissuring, or otherwise providing small apertures into the body of the materials. The mechanics of this effect is not completely understood. Depth, diameter, and distribution of the holes over the surface of the material have been found to have an important effect on the sound absorbing efficiency. An important property of absorbents of this type is that painting does not, to any measurable degree, decrease their absorbing efficiency if the paint does not clog the roles.

"For the most part, ceilings and walls are made sound absorbing by means of perforated metal backed with rock wool, drilled insulation board, drilled or fissured mineral fibre tile.

"Such surface treatment of ceilings and walls is washable and may be readily painted and repainted and much of it now is supplied in a variety of patterns designed to fit the decor of the room where it is applied.

"It has also been found that covering the surface of a porous material with a thin perforated screen of metal or other hard material produces a negligible effect on its sound absorbing efficiency. The explanation lies in the fact that a thin membrane of this type in which the perforated area may be as small as 10% of the total area transmits practically 100% of the sound energy to the absorbent back of it. At high frequencies, say above 2000 cps, the effect of the perforated screen is measurable."

The noise level of the average room can be substantially reduced by an acoustical prefabricated tile. Such treatment of the ceiling usually is effective in reducing the noise level from 40 to 60%, but if the ceiling is unusually high in relation to the area of the room, some treatment of the walls may also be necessary.

Although sound conditioning, like air conditioning, is a comparative newcomer in the building field, a vast amount of research and experimentation has been done by the dozen or so of large companies manufacturing and processing acoustical materials. A wide variety of sound absorbing materials have been discovered and developed.

Application of the acoustical material varies. The prefabricated tile may be applied directly to ceiling or wall by means of a special cement, or acoustical ceilings may be hung at desired heights. In many cases, the product may be nailed or screwed to the proper surface.

The problem of reducing the noise level of a room is a technical one and requires the attention of a specialist in acoustics. Most of the larger manufacturers of acoustical material now furnish this type of service gratis.

PHOTOS BY NATIONAL GYPSUM COMPANY

Acoustical tile can be installed over almost any kind of old ceiling or wall by nailing, cementing, or suspension.

Tile may be repainted many times without fear of reducing sound absorption. Dust and grime do not effect efficiency.

Most tiles can be cleaned by using a mild soap solution. A vacumm or wallpaper cleaner will clean without damaging tile.

Acoustical tiles can be removed easily for repair or plumbing. A "suspended" installation is usually easiest to service.

By BERT V. TORNBORGH, CPA

IN A SALE AND LEASE-BACK agreement, figured in a recent case, a corporation sold assets to principal stockholder (to get working capital) and then immediately leased the assets in question at rentals that for the first year totalled more than twice the sales price. The tax court found no bona fide purpose in the transaction, only an effort to reduce taxes, and disallowed the rent payments as deduction. The "rentals" were looked on as dividends to the stockholder and he in turn was denied any deduction for depreciation.

AN APARTMENT BUILDING SUPERINTENDENT worked under written contract that held him to 24-hour duty and for which he was furnished a rent-free apartment. Under municipal multiple dwelling Law he was required to live in the apartment whether he wanted to or not. The treasury, in a special ruling, says rental value of the apartment need not be included in gross income nor is it subject to withholding tax on wages.

VACANT FLORIDA LANDS were acquired by a taxpayer through inheritance and purchase. The holdings were never advertised for sale and in fact nothing was sold between the years 1927 and 1938, but later occasional sales were made by taxpayer's brother, who was a real estate broker. The tax court ruled the holdings were an investment and the gain was a long-term capital gain.

TWENTY ACRES AND AN OLD BARN were bought by a taxpayer in 1923, for the purpose of subdividing and selling lots. It was later platted and subdivided but sales efforts were abandoned due to depression and the land was reclassified into acreage to save real estate taxes. The property was then rented sporadically for pasture, farming, and lumber storage. This, said the tax court, substantiated that it was "used in the taxpayer's trade or business" and was not a capital asset and the full loss on the eventual sale was deductible.

A LESSEE CORPORATION paid $12,000 annual rental direct to stockholders of lessor corporation. In one tax year lessor corporation could not meet its income tax payments and the treasury went after the stockholders because they had "transferee liability," having received the rental payments direct that otherwise would have gone to the lessor-corporation first and would have given it adequate funds to meet its tax liability. The tax court approved and stockholders had to pay up.

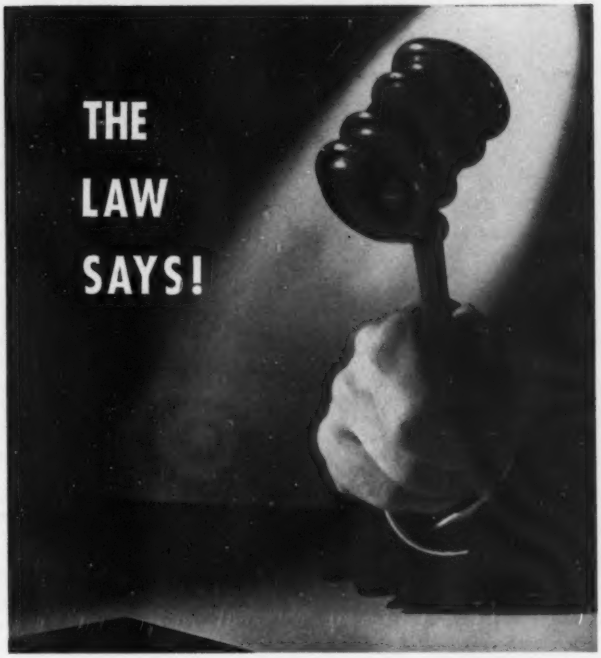
A TAXPAYER RECEIVED MORTGAGE AS GIFT. Later, in partial satisfaction of the debt, mortgagor deeded him the property on his agreement to clear up the arrears of property taxes, but in this transaction the mortgagor was not released from the mortgage bond, on which he remained personally liable. The taxpayer sold the property some years later for less than the amount of the mortgage contending that gain or loss should be measured against the original mortgage principal plus taxes and expenses to the time he acquired title. The tax court said 'no,' the loss should be measured against the fair market value of the property at the time he got title, less depreciation to date of sale. The unsatisfied part of the mortgage remained a personal obligation of the mortgagor and would be deductible as a bad debt in the year of actual worthlessness.

A CORPORATION WAS OWNER-LESSOR of various property in San Antonio. It had no price list on its holdings, never listed them with agents, did not hold a dealer's license nor membership in the real estate board. Eventually several parcels of unimproved land were sold and the treasury denied capital gains treatment to the profit. The tax court, however, found that tracts were never subdivided or platted and that sales had to be approved by the board of directors and ratified by the bondholders. It concluded, therefore, that the property was not primarily held for sale to customers in the ordinary course of trade or business but was an investment, and capital gain treatment was approved.

A NEW BUILDING was erected on a certain property, and in part payment to the contractor the property owner turned over to him its old plant and realty arguing that this transaction was a "tax-free" exchange. The court said 'no,' it was a taxable sale of the old property.

RESIDENTIAL PROPERTY was vacated by owner and converted to rental purpose and later sold. The tax court ruled sale resulted in ordinary loss, not limited capital loss.

By GEORGE F. ANDERSON



What recourse do you have if you are co-owner of a property and the other owner refuses to let you live on the premises? If one of the joint tenants owning a building dies, can his debts encumber the property? What meanings has the court read into lease expressions which apparently look the same? Is a lease considered personal property or real estate and what happens in case of the lessee's death? Our legal expert supplies answers to these questions

A MAN died without a will owning a big residence in which he lived with a married daughter and her husband. He also had a married son who was looking for an apartment, but his sister wouldn't permit him to share the residence with her and her husband until he found an apartment. This is what you call sisterly love. This created a difficult legal situation. He couldn't compel her to pay rent, because one co-owner cannot compel another to pay rent. Each has the right of occupancy. About the only thing he can do is to bring a partition suit, have a receiver appointed, and force the property to public sale. I don't know whether the receiver could make her pay rent or not, but I think he could put her out by a Writ of Assistance. I'm glad there's so much selfishness in the world, because if there was not where would the lawyers get off at?

IF YOU and I owned a building worth $1,000,000, clear of encumbrance, and not as tenants in common, but as joint tenants, and one of us died leaving hospital bills, doctor bills, nursing bills, grocery bills, and every other kind of a bill, our creditors couldn't collect a cent. No, not even the undertaker. That is one of the things that I have always considered unjust about joint tenancies, but I suppose a situation like that doesn't happen often enough to get hot and bothered about it. But it does happen and it has happened several times in my practice of law. Has it ever happened in your experience? I don't mean have you ever died under such circumstances, but in your practice of law or brokerage have you ever seen it?

A LEASE may prove that:

(1) The tenant agrees to surrender the premises in the same condition as they were at the time of the lease, ordinary wear and tear excepted.

(2) To keep the premises in repair.

(3) To "maintain and keep" the premises in a good condition of repair.

While these expressions are all about the same the courts have not thought that they meant the same. (2) is broader than (1) imposing a greater duty on the tenant than (1), and (3) is broader than either (1) or (2). How little one is apt to think of these things in passing upon a lease, and how important they may become. Every little expression has a meaning all its own, and one cannot be too careful in the use of language in drafting legal instruments.

THE owner of a vacant lot, who was about to build, gave the adjoining neighbor notice to shore up his building so that excavation would not cause it to topple over. The neighbor told him to go to h——. That's a difficult situation, but you know there are men like that, and they often get away with it, and he did in this case. The builder shored the building up himself, at a cost of $1,400, and then sued his neighbor for this amount. He could not recover, because, while it was the neighbor's duty to shore up his building, the builder acted as a volunteer in doing it for him. I don't see what else he could have done. If he had gone ahead without shoring up the building, it may have toppled, filling the vacant lot with debris, preventing the building, and lives may have been lost.

IF a man dies owning real estate and surviving him is a wife and no children, the wife can take a half of the real estate. If the deceased is a tenant under a lease, no matter how long the term of the lease may be, his wife would inherit the whole leasehold interest, because a lease is considered personal property and not real estate. The lease may be a 99-year lease and very valuable, and the tenant should think of this when he draws his will.

Management's Effect On Appraising

A close inter-relation exists between property management policies and appraisal values. Alert property managers can influence appraisal values for such factors as neighborhood, income, and operating expense analyses, and in determining reproduction costs and final valuation. A complete understanding of the tie-in here may mean increased appraisal value for properties you manage

A THOROUGH understanding of the part property management plays in determining appraisal value of property is a must for top-notch real estate organizations. Because an appraisal, in brief, is an estimate of the present worth of all rights to future benefits arising from property ownership, the only tangible factors an appraiser can consider are those that can be reduced to dollars.

Pride of ownership and other such intangible benefits are important but there is no way to determine their dollar value. If it is a property's ability to produce "dollars" that counts, then it must be recognized that this is precisely where skillful, far-sighted management figures prominently.

An appraisal of income-producing property can well be divided into the following steps . . . all of which inter-relate with property management: analysis of neighborhood, income analysis, reproduction cost appraisal, operating expense analysis, and determination of finalized value.

In a neighborhood analysis, the "character" of the neighborhood depends to a large degree upon the quality of the management of the properties in that area. There are, of course, many aspects of a neighborhood that are beyond the control of property management organizations. Some of these are population trends and movements, rezoning, and individual owner-managed buildings. It must be remembered, however, that an appraiser's impression is largely gained from his neighborhood analysis and this can be controlled to a large extent by property managers who are vigilant and keep their properties up-to-date.

In figuring the reproduction cost of a building, an appraiser must first determine what the building cost new and then deduct the depreciation resulting from both physical deterioration and economic obsolescence.

Management doesn't figure in the initial cost but if a property is well-managed and maintained in good physical condition at all times, there is no reason for it to reach the point where it stops functioning physically.

A building which does operate physically may still have a low economic value but this does not affect its physical reproduction cost. Assuming that such a property has always been under skilled, far-seeing management, much of the functional or economic depreciation will have been avoided by alterations and modernization. When the appraiser sets up a value based upon reproduction cost less depreciation, the building which has been well-managed during its years of life, will have a better value than the one that has been permitted to run itself or which has been milked by a short-sighted owner.

Classifications for determining an income analysis may vary among different appraisers but the end result will show that the best maintained properties usually have the highest percentage of occupancy and the largest gross income that local conditions will permit.

The various categories in an operating expense analysis may also vary from one appraiser to another but, broadly speaking, expenses accrue from the following sources: rental, administrative, operating, maintenance, servicing, depreciation, taxes, insurance, and financial.

Some of these expenses are called "operating" while others are designated as "fixed" expenses. It is self-evident that expenses for heating, ventilating, janitor, lighting, water, gas, salaries, telephone, clean-

ing, repairs, and others of a similar nature are almost entirely subject to control by the management.

It is in the category of so-called "fixed" expenses that property managers should look for ways they can reduce costs and increase income. Contrary to the beliefs of some, property managers can influence these fixed expenses and thereby provide for an increase in the appraisal value of a property.

Taxes are one of the items that should receive careful consideration from managers. In some cases managers accept their tax bill as being one of the necessary evils of owning real estate. If a manager has a question regarding whether or not a property is unfairly taxed, it is his duty to make a thorough analysis of the facts and bring his findings to the attention of the county tax office. If a property is justly entitled to a reduction, it will usually be made.

Insurance rates also can be controlled to some extent by managers. For example, fire insurance premiums are subject to increase or decrease depending upon the conditions existing in individual buildings. A few of the ways managers can control the hazards of properties are to install extra waste containers and more fire extinguishers and keep less gasoline on the premises. All of these items have material effect on insurance rates.

Buildings should be studied each year in these rapidly changing times because the amount of insurance carried on a building 10 years ago will not replace that same building at present building costs.

The expenses connected with the financial structure can also be reduced in many cases. A study of a property's financial setup will sometimes show that it can be refinanced in such a manner that either the interest rates, amortization rates, or both can be cut down. This can make it possible for the building to lead a more economical and orderly financial life.

When an appraiser has arrived at a determination of net income and is ready to capitalize it to get the finalized value, his next problem is to determine the proper rate of capitalization . . . and management enters the picture here also.

Although some appraisers do not realize it, the proper capitalization rate can only be selected after the appraiser has set in his own mind what the future economic life of the building will be. If a shabby, run-down building is being considered and it is only partially functioning because of poor management, the appraiser will estimate its future life as very short. A building with an estimated short life will require a high rate of capitalization.

In the current "one-handed" war economy, good management is especially important. Operating expenses are on the up-grade as are taxes and wages. This means that greater skill than ever is in order to keep the net income at a profitable level because when net income decreases, so does appraisal value.

A clear picture of the inter-relationship between managing property and appraising shows that the finalized value of a property is dependent on the quality of the management. The physical condition of a building from which reproduction cost is estimated, is the direct result of the care or lack of care in its maintenance, and the net income is the product of the skill used in operating the structure. All possible benefits to be derived from ownership of income-producing property must be converted into dollars — net dollars. And it is the quality of management that determines how many net dollars will be produced each year.

On Your Feet for Sales!

Need a stimulator for your salesmen? William J. Crawford of Hamilton-Crawford Company, Kansas City realtor-developers, wrote a pep talk for his salesmen and found it so effective that he has used it three times as a kick-off for sales contests, first in 1941, again in 1946, and again last month. Here are his sales ideas, still in tune with the times

A SALESMAN who consistently complains of "not having enough prospects" is making a rather serious admission. He is saying that he either

1. Isn't working hard enough;
2. Isn't ingenious in his working methods;
3. Isn't maintaining contact with friends, customers, owners or people he has sold;
4. Isn't capable of recognizing a prospect when he sees one,
5. Isn't in the right line of business, or any number of things.

But he is admitting that *he is failing to perform the functions of a successful salesman.*

Getting prospects is the job of a salesman — not the company he works for. During the depression, for a period of 10 years even the large companies seldom had inquiry from buyers. It was up to the salesman to *create buyers.*

I know one man who was making $6000 a year during the depression and never had a prospect given him by the office — most of the people he sold were not active buyers at all. Most of them were renters. He figured out deals with people who could afford to buy and sold them on the idea. In that way he eliminated practically all competition, for he sold them before they became chronic lookers.

That is the kind of business for you because it not only increases your volume but provides an opportunity to give better service to your buyers.

We all recognize the fact that conditions are changing greatly in the business world today. We are of the opinion that the smart salesmen who will make the greatest incomes during the next few years will be the ones who exercise the most ingenuity in getting and creating prospects. Don't wait for the phone to ring or someone to knock on your door. Real estate isn't sold that way. Go out and go after business.

Remember that there are more people with money in the banks today than ever before in the history of our country and that money represents one of the poorest investments of the day. Home ownership, however, represents the very tops, not only in security, assured dividends, inflation hedge, but in human happiness.

You are armed with the finest weapons real estate salesmen ever had. There are more sound reasons for making a success in this business than ever before. It's an open field. Let's all make our goal!

Quote

Speaking recently about the building materials situation, J. L. Haynes of the National Production Authority, gave this description of present controls: "A DO rating is a ticket to get into the ball park — a CMP allotment is a reserved seat."

Apartment Costs

(Continued from page 25)

vators, heating, plumbing, air conditioning, painting, decorating and any other, but *excluding all capital charges*, $21.60;

Switchboard service, including all charges for it billed to management by the telephone company, but not including pay of switchboard operators, $9.25;

Gas and electricity paid for in 1950, including consumption in tenant areas when such service is included in the rent, $13.18; water bills paid in 1950, $2.74;

Fuel purchased in 1950 for heating building or water, $14.76;

Janitorial, including cleaning supplies, materials, equipment and extermination, $2.09; contract cost of removing incinerator waste, trash and ashes, $1.59;

Real estate taxes due and payable in 1950, $25.92; personal property and payroll taxes, together with license fees paid in 1950, but excluding income taxes or Federal corporation tax, $2.16;

Annual cost of fire, extended coverage, workman's compensation, liabilitiy and other insurance, $2.52;

Finally, all other expenses including management fee, legal and audit fees, other office expense, purchase and care of uniforms, and miscellaneous, $13.52; total of all items, $143.42.

The total obtained by adding these averages does not agree with the total given, for the reason that the averages in the case of certain items were obtained from fewer rooms. Some respondents did not have detailed figures to report, and of course their cost is not included in those cases, nor are their rooms used in the denominator that produced the average.

From analysis of the payroll figure it will be seen that it is not all-inclusive, leaving out the compensation of personnel engaged full-time in repairs and maintenance. On the other hand, payroll does include the pay of switchboard operators, which is excluded from the "switchboard" cost item.

It is clear from a comparison of switchboard expense and telephone income, that the service does not nearly pay for itself. Leaving out the pay of operators, the cost in the 26 unfurnished buildings was $33,505 as compared with income of $25,165, or $8,340 less. In the mixed group of 23 apartment houses, comprising the air conditioned and those with substantial store income and numerous furnished apartments, the cost excluding pay of operators was $105,295, about $1100 less than income.

The two tables giving individual building data reveal that the 14 buildings with most favorable operating ratio (under 53%) furnish gas and electricity in nearly every case as part of the rent consideration. The air conditioned buildings with one exception have attractive operating ratios.

Responding buildings are not identified in the report but each operator is sent a marked copy showing his building, to facilitate comparison. Participants have expressed satisfaction with the resulting statistics despite the fact that some are disturbed by their relatively poor operating ratio or higher per-room costs. They are well aware that the data are only as reliable as the bookkeeping and reporting of the respondents. Some operators who might wish to take part are unable to do so because they maintain only primitive cost records.

Watch for the August issue of the Journal, continuing a comprehensive article on prefabricated housing.

Product Progress

Contemporary Design for Prefabs

The Peaseway Archwood (front elevation shown above) is one of three "New Design" homes being presented by the Pease Woodwork Company, Cincinnati.

This home contains four bedrooms, living-dining room, kitchen and bath, all on one floor. Features of the home include summer-winter air conditioning and huge insulated plate glass windows. The home may be constructed on a concrete slab or over a basement by franchised builder-erectors of the company.

Cavity Wall Development

A new insulated cavity masonry wall has been developed by the research foundation of the Structural Clay Products Institute of Washington, D. C. Known as the "SCR Insulated Cavity Wall," it features a low-cost, easy-to-handle pouring insulation.

The cavity wall needs no furring, lathing, or plastering on the interior wall surface but can be plastered direct where such a finish is desired.

Combination Refrigerator-Range

A space-saving combination refrigerator and electric range for small apartments is being manufactured by the Acme-National Refrigeration Company of Long Island City, New York.

The Acme dual-purpose unit has a 5.8-cubic foot refrigerator capacity and a two-burner electric range and its dimensions are 36x27x26½ inches.

Dual-Air Oil Burner

A dual-air vaporizing-type oil burner that is said to reduce draft requirements up to 20% on natural draft, up to 67% on forced draft, and save up to 15% on fuel has been announced by the Oran Company of Columbus, Ohio.

Approved by the Underwriters' Laboratories, the Dual-Air burner features an entirely different method of introducing air into the burner. The new units will be used in the company's line of oil-fired floor furnaces, oil-fired central heating systems, and in a new oil-fired conversion unit soon to be placed in production.

Odor Killer

A tiny lamp that dissolves odors with a triple dash of ozone, replacing unpleasant smells with clean, "mountaintop" air has been announced by the Bloomfield, New Jersey, branch of Westinghouse Electric Corporation.

The new "Odorout" bulb, the size of a walnut, explodes odor molecules in air instantly. This result occurs as ultraviolet radiations of special wavelength, generated by the lamp, transform the oxygen around the lamp into ozone, an air purifier.

The bulb, which must be burned in a special fixture with a current-controlling device, is said to last six months when operated 24 hours a day.

Anti-Rust Paint

A penetrating and sealing anti-rust paint which can be applied over rusted surfaces on both interiors and exteriors has been announced by the Paint Corporation of America, Cleveland, Ohio.

The manufacturer says that the paint, "PCA-100," can be applied over rust without extensive surface preparation such as wire brushing, scraping, or sand blasting. The paint penetrates through the rust layer into the base material and seals the surface against further rusting. It is suitable for either brush or spray application.

PCA-100 is available in black only and due to its penetrating characteristics, should be used solely as a "finish" coat.

Canopy-Type Garage Door

A 9x7-foot, all-steel canopy-type garage door, manufactured by Detroit Steel Products Company of Detroit, projects 63 inches when open and provides a protecting canopy that shields against either sun or rain.

The new "Strand" door is constructed with rugged, "X"-type steel bracing for strength and rigidity of the one-piece door leaf.

Among Ourselves

Conflicting reports are becoming the rule rather than the exception. In one large metropolitan daily newspaper recently, a lead story on the front page painted a gloomy picture of the steel situation, said it was debatable whether production could be boosted to the 117-million-ton goal slated for 1953, and that the goal was an absolute necessity. The next day, a story in the same column reported that there was no shortage of steel and industry executives predict an oversupply is on the way.

Some building materials are showing price drops — and in a season when the trend is usually upward. The Wall Street Journal reports that a check of 50-odd items in the busy home building area of Nassau County, New York, showed one-quarter had dropped in price from mid-May to mid-June.

Delegates from five European countries and the United States met in Paris early last month and formed the International Confederation of Real Estate Agents. Purpose of the group is to advance professional standards, investigate ways of relieving housing shortages, and protect property rights in many countries. Alexander Summer, NAREB president, was named vice-president.

One family houses started in six metropolitan areas during the first three months of 1951 are larger, have added features, and cost substantially more to build than those begun during the last half of 1949 or the middle months of 1950. A BLS report shows 60% of the houses started in the first quarter of 1951 had 1000 or more square feet of floor space, compared with less than 40% during the second half of '49. Average cost rose about 28%, from $9215 in '49 to $11,765 in '51.

Thousands of periodicals, books, and pamphlets emerge from Uncle Sam's print shop, some of questionable value to the average citizen. But if you wish to delight a client, here are some government publications aimed at the home owner: "How to Control Vagrant Cats," "Recipes for Cooking Muskrat Meat," "The Fleas of North America."

News Nibblings: Toledo home builders are planning low-rental housing projects. Plans call for completion of some units by fall. Estimated rentals would range from $41 to $57 a month . . . There are many indications that people are holding onto their money. Three examples: the outbreak of numerous "price wars," NAREB survey showing a sales slow-down in 47% of reporting cities, and a steady decrease in withdrawals from savings accounts in the past six months . . . The Institute of Real Estate Management will hold its second annual maintenance school in Chicago July 16-20.

You may have an economy-sized atomic stock pile in your basement one of these days to heat your house by atomic energy through radiant panels. NAHB says this type fuel may heat the house seasonally for less than the average family's current fuel bill for one month . . . Three prizes totaling $1000 will be awarded to university students this coming year by the J. C. Nichols Foundation of the Urban Land Institute. Prizes will be given for the three best essays on "The Improvement and Development of Community Life in the United States."

Eighty percent of all real estate sales are made after the fifth call, W. L. Cooper, Brokers Institute president, says in summarizing a recent survey. Forty-eight percent of salesmen quit on first call; 25% call twice and quit; 12% make three calls. That means that the 10% who make five calls or more do 80% of the business.